Workplace Safety and Insurance Board of Ontario

ANNUAL REPORT 2008

WSIB ONTARIO CSPAAT

ROAD TO ZERO

As part of our ongoing commitment to service excellence, in 2008 WSIB staff implemented a new Service Delivery Model (clockwise from left): Natasha, long-term case manager, Joyce , long-term case manager, Nigel , manager, Thomas , long-term case manager, Shirley ; Case Manager, Maggie , eligibility adjudicator

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Business Fundamentals

Four key business fundamentals are firmly embedded across the organization and are the foundation for the WSIB Five Year Strategic Plan, 2008-2012: *The Road to Zero*.

- Health and Safety
- Service Excellence
- Financial Sustainability
- Organizational Excellence

Health and Safety

The WSIB will lead and partner in the creation of the healthiest and safest workplaces in the world, in which zero fatalities, injuries, and illnesses are the only acceptable measures of success for all Ontarians.

Service Excellence

The WSIB will strive towards service excellence, building on its organizational strengths and accomplishments. The WSIB's ultimate goal is to improve return to work and health recovery outcomes and provide fair and timely compensation.

Financial Sustainability

The WSIB is committed to ensuring the long-term viability of the workplace health and safety system, and to ensuring its financial resources are dedicated to improving the well-being of workers and employers throughout Ontario.

Organizational Excellence

The WSIB will strengthen its existing infrastructure. With the right people, management practices, business processes, tools, and technology, it will effect change and reach its shared *Road to Zero* goal.

CORPORATE PROFILE

The WSIB's Vision

The elimination of all workplace fatalities, injuries, and illnesses

The WSIB administers the *Workplace Safety and Insurance Act* and The *Workers Compensation Act*, and has a network of offices across Ontario.

The WSIB's vision is the elimination of all workplace fatalities, injuries, and illnesses.

Its mission is to lead, prevent, and preserve:

- Lead and partner with others in the creation of healthy and safe workplaces.
- Prevent and respond to fatalities, injuries, and illnesses and measurably lessen their impacts on workers, their families, and workplaces of Ontario when they do occur.
- Preserve a strong and sustainable workplace safety and insurance system that will continue to serve the people of Ontario.

Getting back to basics

We are in the midst of a global financial crisis of unprecedented proportions. In 2008, the WSIB was not isolated from the global economic situation. Our Five-Year Strategic Plan, 2008-2012: *The Road to Zero*, lays out a set of guiding principles – already embedded across the organization – that continue to apply in the current financial climate as much as ever before. Our ultimate goal is to ensure the long-term sustainability of the province's workplace safety and insurance system for future generations of workers and employers.

The WSIB has built a solid foundation. The fundamentals are in place and operating effectively across all areas of the business. This places the organization in a strong position to cement a practical, future-focused strategy to mitigate today's economic challenges while creating meaningful long-term opportunities.

With the first full year of *The Road to Zero* now complete, I am proud to look back on a year in which the WSIB overcame some difficult obstacles. It built upon its foundation for ongoing success in 2009 and beyond. It shared the hope and promise of working together to make Ontario's workplaces the safest and healthiest in the world.

Changing community attitudes to workplace health and safety was and is a key priority for the WSIB. More than ever, we must maintain our strong commitment to workplace health and safety. We must do this because exemplary workplace safety practices translate into stable jobs and safer, more productive workers, while saving money and contributing to profitability.

Progress towards our goal of zero workplace fatalities, injuries, and illnesses continued in 2008 with another reduction.

Continued on next page

RIGHT: WSIB Chair Steven W. Mahoney, speaking at the launch of the second year of the Occupational Disease Support Program (ODSP).

in the lost-time injury rate. All the partners in Ontario's workplace health and safety system have helped to achieve this positive result, but none more so than Ontario's Health and Safety Associations (HSAs). An ambitious program realigning the HSAs has been announced, reflecting a Prevention System Model that charts a bold new direction. I congratulate the HSAs on the leadership, courage, and foresight they are showing as they work to develop and implement a more integrated, streamlined, and focused model for the delivery of education and training to Ontario workplaces.

In 2008, we amplified our forceful social marketing message with our "You can never be too safe" campaign, showing workers and employers that the power to prevent workplace fatalities, injuries, and illnesses is in their hands.

Our approach is working. Our ads have provoked discussion at water coolers and around family dinner tables across the province – and these are the conversations that save lives. Awareness is translating into action in workplaces and communities throughout Ontario.

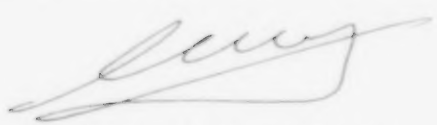
More than 35 municipalities have endorsed our Community Workplace Health and Safety Charter and made a commitment to creating healthier and safer workplaces. The incredible turnout we had for the Day of Mourning ceremony at Queen's Park and at events all over the province on April 28, 2008, is another indication that our call for action is being heard.

Throughout 2008, we met with stakeholders on a wide range of issues – explaining our strategies and listening to their feedback. The WSIB is an organization that understands the importance of stakeholder consultation. Meaningful results-oriented consultation remains our No. 1 priority in 2009 and beyond.

We are moving forward with a broad public consultative agenda on all significant issues and changes to the WSIB's programs and services, built around a five-point action plan:

1. Renewal of our commitment to a corporate culture of fiscal responsibility.
2. Immediate, meaningful, and candid conversations with – and communications to – customers, clients, and stakeholders.
3. A strong focus on core business.
4. Delivery of a sustainable financial foundation for the future.
5. Achievement of affordable, value-added results.

I know that the WSIB is up to these challenges. This organization has a commitment to evaluation and improvements in everything it does. I am confident that with all of us working together, we can address these challenges – and can promise the workers and employers of Ontario that the WSIB will remain steadfast in its belief, throughout these tough economic times, that every workplace injury and illness can and must be prevented.



Hon. Steven W. Mahoney, P.C., Chair

Ensuring the highest levels of service

The WSIB has a long history of adapting and streamlining its services and programs to ensure the highest levels of service in a financially responsible manner.

2008 was a year of integration in support of our fundamental priorities. A number of initiatives were launched including the new Service Delivery Model, the realignment of the Health and Safety Associations (HSAs), and the incentive program review. Changes made in these areas will mean that, more than ever, the right people will be providing the right services to employers and workers at the right time.

The costs of running Ontario's workplace safety and insurance system have been impacted by the increases to benefit costs, as well as the WSIB's continuing commitment to supporting Ontario businesses through three years of stable premium rates. The WSIB is being proactive in assessing business needs and requirements on an ongoing basis to identify opportunities for savings and efficiency improvements. We must continue to demonstrate our fiscal responsibility to the workers and employers without wavering in our commitment to service excellence.

Despite the economic challenges we face, the WSIB's ability to fund the ongoing obligations of the workplace safety and insurance system remains secure. Benefits for injured workers are not impacted by the present economic downturn, and improvements to services for workers and employers have continued.

We still face serious challenges, and the reality is that there are tough decisions ahead. These circumstances require that we all do more, and that we search for ways to be as innovative and creative as possible to reduce costs and increase productivity. We will continue to look for more innovative ways to deliver a workplace safety and insurance system that employers can afford, particularly in the current economic climate.

2008 was the first year of the WSIB's Prevention Strategy, which aligns efforts and clarifies roles among Ontario's core prevention partners. The Prevention Strategy incorporates an approach that aims to achieve a shift in mainstream aims and awareness about workplace health and safety in Ontario. In 2008, Ontario's injury frequency per 100 workers was 3.7 – continuing a steady decline that reflects the ground-breaking work the WSIB and Ontario workers and employers are doing to reduce and eliminate workplace injuries, illnesses, and fatalities.

Continued next page

The new Service Delivery Model, launched in 2008, will bring about big changes to the way the WSIB delivers its services, improving customer service across the business with the aim of getting workers back to safe and sustainable work as soon as possible after an injury or illness. The new model will mean workers and employers will experience more personalized levels of service in proactive case management.

Our new model for service delivery emphasizes the importance of approaching each injured worker as an individual, with individual needs. Reflecting this emphasis, and in partnership with the Research Action Alliance on the Consequences of Work Injury, the WSIB has launched a new initiative to eliminate any potentially stigmatizing language, behaviours, and attitudes from WSIB communications, frontline staff training, and service delivery.

Through this and other initiatives, we are working to promote more positive attitudes about injured workers. We recognize that not all injuries are visible, and that injured workers have the right to fair and prompt insurance benefits, and we are working to ensure a consistently positive and respectful environment for injured workers.

Satisfaction levels among workers and employers remain high. Our 2008 customer satisfaction survey shows that the majority of respondents had a positive overall impression of the WSIB. We intend to build on this success, with initiatives aimed at delivering services that are co-ordinated, responsive, and accessible, linking employers and workers to the programs, services, and information they need.

Since 1999, the total number of worker and employer appeals has been reduced by 23 per cent. The WSIB makes a million decisions a year, and less than 10 per cent of them are appealed. This indicates that the decisions being made by WSIB adjudicators are sound, accepted, and understood to be appropriate by injured workers and employers.

New eServices are responding to the changing needs of our customers, providing self-service opportunities for workers and employers to access information and transact business with the WSIB through a new secure eChannel. Online submission of eForm7 (Employer's Report of Injury/Disease) and eForm6 (Worker's Report of Injury/Disease) information is faster, more convenient, and more efficient for employers and injured workers to report workplace injuries and illnesses.

The WSIB recognizes that occupational diseases can have a devastating impact on workers and their families. We have implemented an Occupational Disease Action Plan that includes building a prevention strategy, expedited decision-making, improved communication, support for quality service, and expanded research initiatives. Decision timelines have already improved significantly. We are also implementing a new service delivery model that is customized to address the unique needs of occupational disease case management.

The coming years are critical to our journey to zero workplace fatalities, injuries and illnesses. Now, more than ever, we must strengthen our collective commitment to prevention and return to work in order to meet the targets set out in *The Road to Zero*.

We have worked diligently to build a corporate strategic framework – built on sound governance, and modern management principles, and open and clear communication – that is responsive, flexible, and proactive. However, we continue to navigate through difficult economic times that require us to forge stronger and more collaborative partnerships and introduce new and better services that address our financial accountability and sustainability. I am confident that our seasoned and experienced staff will demonstrate innovative thinking that will encourage smart, creative solutions for the challenges ahead.

We will continue to remain open and adapt to changes that will direct us closer to our corporate goals and strategically position the WSIB for the future, both as an employer of choice and as the destination of choice for health and safety information, programs, and services.

Jill Hutcheon

Jill Hutcheon, President and CEO

BELOW: *New managers meeting. From left:* **Tim, Sandra, Anna, Laura, Jill Hutcheon,** President and CEO, **Ed, Kirsten, Mary-Anne, Adil, Gillian, Kaitlin, Milva,** and **Santina**

BOARD OF DIRECTORS

The members of the WSIB Board of Directors have a diverse range of skills and understanding, reflecting their experiences across many business and industry sectors.

Committees of the Board of Directors

The Audit and Finance Committee advises on financial and other reporting practices and internal controls.

The Health and Safety Committee advises on workplace health and safety policies, performance objectives, and measurement criteria.

The Human Resources and Compensation Committee advises on the health and safety of WSIB employees and the human resources function.

The Governance and Policy Committee advises on governance and policy matters.

The Investment Committee provides counsel on investment policy, monitors investment returns, and reviews the performance of investment managers and their compliance with applicable laws and regulations, and their respective mandates.

STEVEN W. MAHONEY

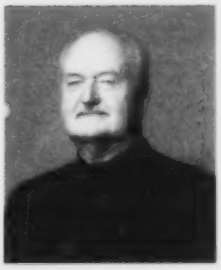
Chair
May 17, 2006 – May 16, 2009

President, Mahoney International, and former Liberal member of Parliament, secretary of state for Crown corporations, Ontario MPP, and city and regional councillor in Mississauga

JILL HUTCHEON

President and CEO
October 14, 2004 – January 23, 2010

Former Ontario deputy minister of labour, assistant deputy minister of the safety and regulation division of the Ministry of Transportation, and registrar of motor vehicles for Ontario



PATRICK DILLON

Member: July 17, 1996 – July 16, 2010

Business manager and secretary treasurer of the provincial Building and Construction Trades Council of Ontario, and former executive chairman of the IBEW Construction Council of Ontario

LORETTA HENDERSON

Member: October 14, 2004 – February 19, 2009

Senior counsel, corporate compliance, Miller, Canfield, Paddock and Stone; director, Windsor Utilities Commission, and former vice-chair, Workplace Safety and Insurance Appeals tribunal

SARI SAIRANEN

Member: September 24, 2008 – September 23, 2011

National health and safety director, Canadian Auto Workers

P. MORGAN McCAGUE

Member: August 21, 2008 – August 20, 2011

Former Senior Vice-President, Asset Mix and Risk, Ontario Teachers' Pension Plan, current director, GCAN Insurance Company, First Coverage, and Excel Funds

MARLENE McGRATH

Member: October 14, 2004 – October 13, 2010

Human resources director, international operations, 3M Company

LEA M. RAY

Member: December 3, 2008 – December 2, 2011

Vice-president of corporate finance for Warner Bros. Entertainment Canada Inc., a division of Time Warner

LAWRENCE R. BARNETT

Member: January 15, 2007 – January 14, 2010

Business representative, benefits and pension co-ordinator, and trustee, health and welfare benefit plans, Teamsters Local 938

KENNETH DEANE

Member: May 18, 2005 – August 17, 2008

Chief operating officer of London Health Sciences and St. Joseph's Health Care; and former president and CEO of Hotel-Dieu Grace Hospital in Windsor

Learning and adjusting

Phased introduction of measures to improve efficiency and effectiveness

The WSIB is constantly striving to make the workplace safety and insurance system more efficient and effective, while providing service excellence to the employers and workers of Ontario. A key feature of the WSIB's work in 2008 was the phased introduction across the province of the new Service Delivery Model.

This introduction is now complete, with resultant improvements in services for all the workers and employers who rely on the WSIB. Following a similar process in 2009, tailored service delivery models are being transitioned to address the unique needs of the workers, family members, and employers served by the WSIB's Occupational Disease Division, Serious Injury Program, and Pre-1990 Claims Branch.

Fundamental changes

Workers and employers across Ontario are benefiting from the positive changes that are taking place in the way the WSIB delivers its services. A lot of work was done in 2008 to optimize the WSIB's Service Delivery Model and plan a phased introduction to ensure consistent high standards of service. The changes that have been implemented go to the heart of the workplace safety and insurance system, addressing a range of long-standing concerns.

Building on knowledge and relationships

The WSIB's new approach to service excellence builds on the knowledge and relationships we have developed with our workplace partners. It reflects feedback from workers, employers, and staff, as well as best practices research. The new model ensures the right people provide the right service at the right time in the right way.

Critical to *The Road to Zero*

In 2008, the new Service Delivery Model was launched to improve prevention, return to work, and recovery outcomes and to assist in creating safer and healthier workplaces. The new Service Delivery Model is a critical part of the WSIB's *Road to Zero* commitment. Together with the WSIB's Prevention Strategy, this new model will accelerate the WSIB's drive to zero workplace fatalities, injuries, and illnesses in Ontario.

The new model introduces new and redesigned jobs, better ways of working, and technologies for improvements in prevention, return to work, and recovery.

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Helping injured workers when they are most vulnerable

The WSIB knows that injured or ill workers experience profound emotional, physical, and economic losses when their recovery and return to work is delayed. These losses are felt in the home, at the workplace, and throughout the community.

Everyone benefits when workers return to work and recover as quickly and safely as possible. Due to a number of complex issues, rates of return to work in Ontario have declined over the past 10 years. The WSIB is committed to turning this trend around, and the new Service Delivery Model will help us to do that.

New roles support workers and employers

Workers and employers will benefit from the experience and expertise of front line service delivery staff in new or redesigned roles with a more specialized focus:

- Eligibility adjudicator determines eligibility upon receiving a claim for benefits;
- Case manager concentrates on the opportunities and obstacles to return to work, determines ongoing benefits to be paid to the worker, and arranges and monitors Labour Market Re-entry services wherever and whenever needed;
- Nurse consultant co-ordinates specific medical interventions and improved timelines aimed at resolving health-care barriers and decides what health-care services and benefits are allowable;
- Account specialist and account analyst provide employers with access to dedicated revenue decision-making services within the Employer Service Centre;
- Return to work specialist facilitates return to work and case resolution at the workplace; and
- Disability prevention specialist assists employers (in-house, as needed) to build new or improved prevention, disability management and compliance programs and practices for their entire workplace.

Timely decision-making

We understand that each day matters to workers who have not achieved return to work and recovery. Statistics indicate an injured worker has only a 50 per cent likelihood of going back to work after being off for six months, with this percentage dropping dramatically to 20 per cent after a year.

A successful return to safe work and recovery is everyone's goal, with accompanying human and financial benefits for workers, employers, and the system as a whole. Therefore, every opportunity will be made during the earliest stage of a case to assess any barriers to sustainable return to work and recovery and to identify appropriate interventions.

More personal interaction

Under the new Service Delivery Model, workers and employers will experience a more personalized level of service, proactive case management, improvements in the timeliness of benefits decisions, and assistance with health care and labour market re-entry services.

Primarily, the changes mean WSIB staff members are spending more time in conversations with injured workers and employers. Communication is key to the work the WSIB does. It has been observed that many delays to return to work and resolution of case issues can be addressed by ensuring that the lines of communication are kept open.

Addressing barriers to return to work

The WSIB wants its people talking and engaging people. Forms and letters will not be their only way of gathering information. The

organization is clearing away as much of the administrative burden as possible so that its people can spend their time talking and planning with workers and employers.

A phased introduction

The new Service Delivery Model has been implemented in phases to minimize service disruption and ensure continuity of services. Ottawa was the first regional office to launch the new model, in September 2008, followed by Toronto and the other regional offices.

The transition was completed by April 2009. The phased approach allowed the WSIB to learn and adjust throughout the implementation process.

A plan for return to work and recovery

Front-line service delivery staff members are now using a consistent and standardized case management approach to identifying, assessing, and co-ordinating services required for eligibility decisions and to achieve return to work and recovery. The approach involves procedures to reduce significantly the time it takes for workers to receive key services such as support from return to work specialists and access to health care and Labour Market Re-entry programs.

Reducing decision times

This approach is already reducing the time it takes to make decisions about eligibility and referrals to health care and Labour Market Re-entry programs. Staff members are expected to keep to a consistent set of time frames for this decision-making as each case moves through eligibility and the provision of services to support return to work and recovery.

This includes those instances in which return to work has not been achieved and the case manager must co-ordinate skills assessments, retraining, and potential Labour Market Re-entry services. There will also be improvements in timely decision-making about recovery and quality-of-life issues in cases where return to work is not possible because of medical reasons.

Listening to the needs of workers and employers

Listening and responding to the needs of the workers and employers of Ontario has led to development of the new Service Delivery Model. The WSIB will continue to work closely with all of its stakeholders and its current partners while reaching out to new partners, in keeping a sustained focus on our prevention and return to work efforts as we move forward on *The Road to Zero*.

An achievement to be proud of

The WSIB is proud of the improvements it has made in customer service over the past decade. The new Service Delivery Model continues on that path. Meeting its commitment to provide a more efficient and standardized way of facilitating payment of benefits and prevention, return to work, and recovery planning, this initiative will help to achieve better outcomes for workers and employers.

A bold new direction

Charting a bold new direction for prevention, our new Prevention System Model represents the system structure and role responsibilities required to support a national habit of workplace safety. The new model outlines the approach the WSIB and its prevention partners must take in response to the shifting demands of Ontario workplaces facing tough economic constraints.

More focused service delivery

Service delivery will become integrated, streamlined, and focused to meet the needs of employers and workers now and well into the future. This new system is confirming Ontario as a leader in prevention education, service, and performance, with champions for health and safety advocating in all our workplaces and throughout our communities.

Four new sector-based entities delivering prevention services

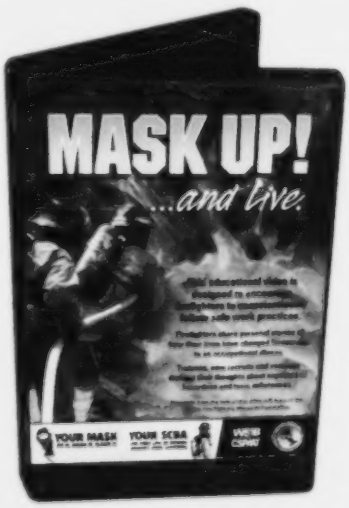
The WSIB's new Prevention System Model reaffirms the Prevention System Strategy's target of an annual seven per cent reduction in lost-time injuries. Health and Safety Associations will merge into four new sector-based entities, with products and services standardized and co-ordinated so that funding and resources can be concentrated on the front lines.

Occupational Disease Prevention working groups

Occupational Disease is a key area for improvement. The WSIB has established Occupational Disease Prevention working groups with labour, employers, and scientists to develop a framework for the creation of an Occupational Disease Prevention Strategy. The WSIB also worked closely in 2008 with Ontario firefighters to develop prevention materials, including training and marketing tools. This work is continuing.

The Community Workplace Health and Safety Charter

Since 2007, the WSIB has met with 40 Ontario municipal councils to engage them in the Community Workplace Health and Safety Charter. This charter offers municipalities the opportunity to demonstrate leadership through a commitment to improving health and safety for municipal workers and the community as a whole.



A safety video produced by Ontario firefighters

The WSIB provided prevention funding for an initiative to support migrant workers.

More interaction with the front lines than ever before

More than ever before, the WSIB is interacting with people on the front lines of workplace health and safety. It has organized Construction, Transportation and Schedule 2 summits to gather input from specific industries on how to solve health and safety issues, and its Prevention Contact Centre provides employers with a "live" resource to deal with their health, safety, and prevention needs quickly and effectively.

Delivery of service excellence

The WSIB will continue to deliver service excellence and operational effectiveness across all of its prevention work. In a recent customer service survey, 81 per cent of employers – the highest number yet recorded – said they felt the WSIB gives them value for money in preventing workplace injuries and illnesses.

Experience Rating review

In 2008, the WSIB has taken a number of steps to lay the groundwork for long-term improvements in its prevention incentive programs, including an extensive Experience Rating review. This follows the establishment of a Validation unit to review workplaces to ensure there is a link between health and safety performance and Experience Rating rebates.

Supporting vulnerable workers

A number of initiatives have been put in place that support vulnerable workers, including youth, aging workers, women, immigrants, and migrant workers. The WSIB assists these initiatives with prevention funding. Programs include the Young Worker Awareness program and the Passport to Safety program, both delivered in Ontario high schools; Live Safe! Work Smart! Resources for Teachers and the Work Smart Campus e-learning program for college and university students.

Musculoskeletal Disorders (MSD) Prevention Toolbox

The WSIB's Prevent-it.ca website provides the employers of Ontario with the most up-to-date prevention tools they need when they need them. In 2008, the WSIB launched the Musculoskeletal Disorders (MSD) Prevention Toolbox to help employers develop and implement a "strains and sprains" prevention program.

Closer to the ultimate goal: Zero workplace injuries and illnesses

All of these programs, initiatives, and innovations are bringing the WSIB closer to its ultimate goal: The elimination of all workplace fatalities, injuries, and illnesses.

SOCIAL MARKETING

Groundbreaking work in public awareness

The WSIB continued its groundbreaking series of public awareness campaigns in 2008 by launching its third major Prevent-It campaign in October 2008. The Prevent-It campaign has been one of the most successful community safety campaigns ever, and the 2008 advertisements continued the innovative approach with a shift in style as part of a multi-year strategy.

A more hopeful tone

The tone moved from unapologetic and challenging to authoritative, hopeful, and facilitating. But the focus remained on making a strong impact on a broad audience, to create a dialogue among viewers that stimulates thinking and action. This approach has deepened the audience's education and awareness, and strengthened perceptions of the WSIB as a key enabler in workplace safety.

Spots referenced previous ads

In the television spots, viewers were encouraged to recall the WSIB's very memorable previous ads, and to believe that they're about to witness a similar tragedy unfold. At the last minute, however, a key intervention changes the outcome.

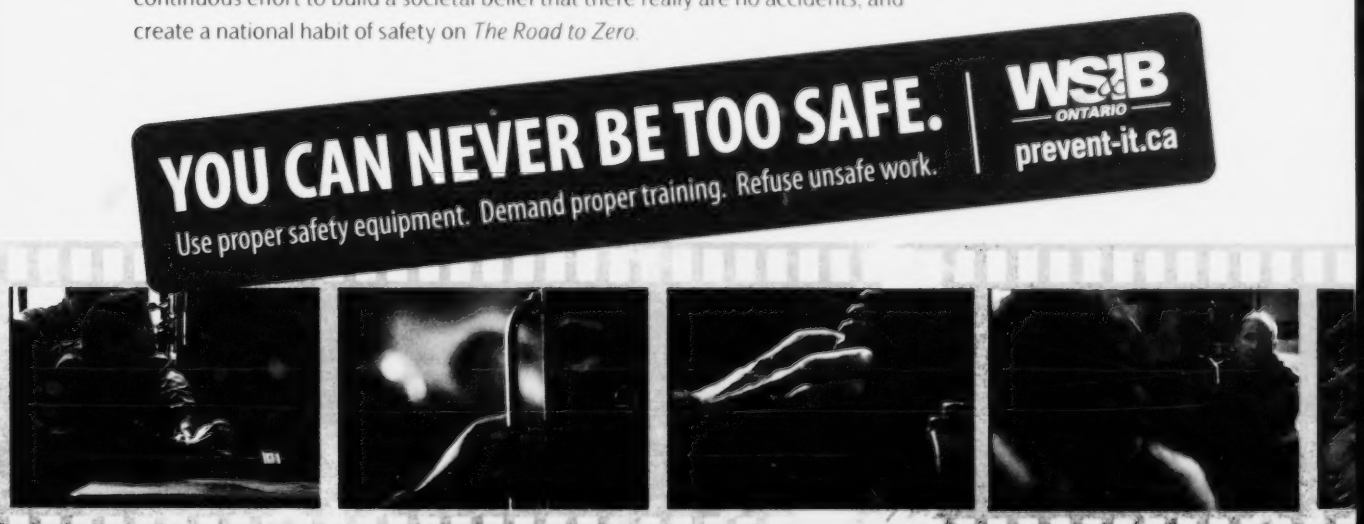
In print, a companion message uses humour to show typical workplace scenes in which people are taking exceptional precautions with the cutline "You can never be too safe." All delivery channels drove traffic to an updated prevent-it.ca website.

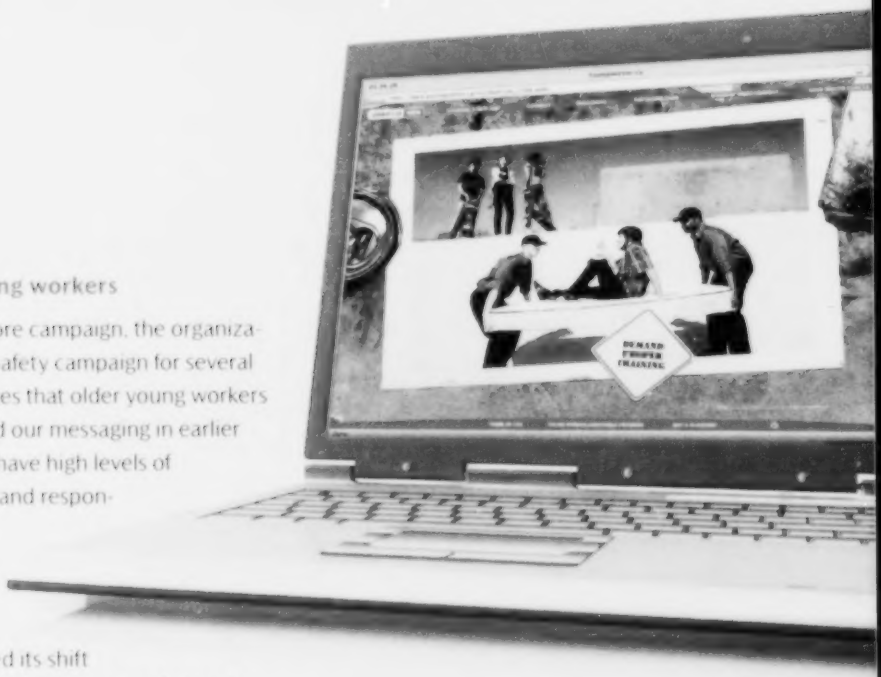
Campaign was multi-platform and multilingual

The campaign ran from October until December across Ontario and used TV, cinema, outdoor transit, print, online ads, events, and the prevent-it.ca website as prime delivery mediums. The campaign was multilingual in TV, print, and online.

2009 will continue the shift towards deeper and more complex messaging, in our continuous effort to build a societal belief that there really are no accidents, and create a national habit of safety on *The Road to Zero*.

ABOVE: *A print advertisement from the Prevent-It campaign.*





Ads targeted towards young workers

In addition to the WSIB's core campaign, the organization has run a Young Worker Safety campaign for several years. Research clearly indicates that older young workers (20 to 24 year olds) have heard our messaging in earlier WSIB campaigns and already have high levels of awareness about risks, rights, and responsibilities in their workplaces.

Targeting young workers most at risk

In 2008, the WSIB continued its shift towards more targeted and contemporary marketing to appeal specifically to those entering the workforce for the first time – those who are most at risk: 15 to 19 year olds, and particularly 15 to 17 year olds.

ABOVE: *A page from the young workers' Prevent-It website.*

Campaign coincided with summer jobs

The 2008 Young Worker Safety campaign built on the success of, and awareness raised by, previous campaigns while staying fresh and relevant for hard-to-reach young audiences.

The campaign started in May 2008. As in previous years, the campaign was deliberately timed to coincide with the time young Ontarians are preparing for summer employment or part-time work – the time they are planning work to get the money they need for everything from school tuition in the fall to more immediate needs such as summer entertainment and new clothes.

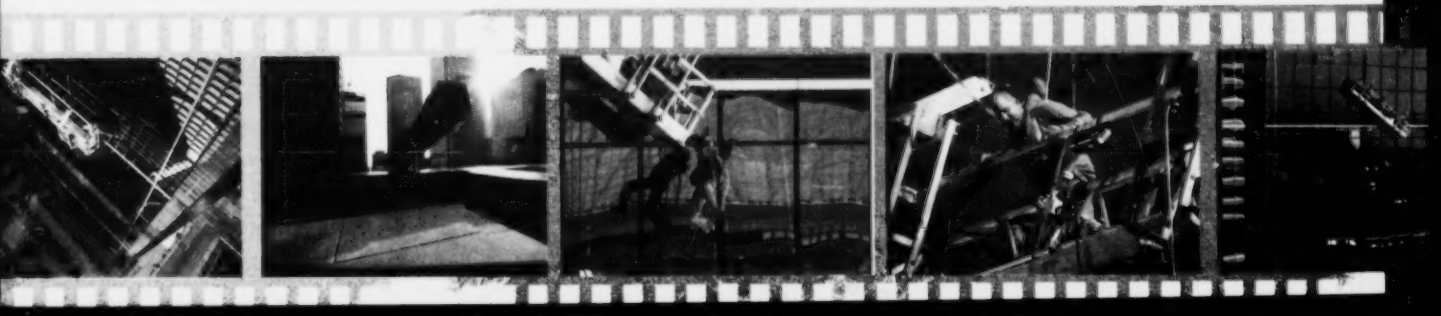
Attention-grabbing content

Using humorous situations and absurdity to engage the target group and get their attention, the concept behind the campaign is encapsulated in the slogan: "If your boss looked out for you like this at work, you wouldn't have to look out for yourself."

The 2009 campaign will continue to build the momentum

The WSIB plans to continue to build on the work that has been done to raise awareness in the community and in workplaces about the importance of workplace health and safety. With each new campaign, the WSIB is building on the gains that have been made by previous campaigns – with the ultimate objective of eliminating all workplace injuries and illnesses.

BELOW: *Frames from the Prevent-It television spots.*



Solutions for workplace change

The WSIB's research grants program, Solutions for Workplace Change, funds research to bring practical benefits to the workplaces of Ontario. Each year, the WSIB's Research Advisory Council (RAC) calls for research proposals and makes recommendations for funding to the WSIB Board of Directors.

15 new projects

In 2008, the WSIB funded 15 new projects, for a total funded amount of $2.98 million. These projects include a study looking at the influence of ethnicity, race, discrimination, and immigrant status on workplace injuries; an investigation into the health and safety consequences of an Ontario Experience Rating program; a study of the problem of claims persistency; and an evaluation of fibre exposures outside of asbestos-abatement enclosures.

22 projects completed

WSIB-funded researchers completed their work on 22 projects in 2008. These completed projects included work on a virtual workspace design tool for the ergonomic assessment of vision and arm function that can assist in reducing repetitive strain disorders of the hand and arm; and a study exploring the role and strategies for knowledge exchange and translation by injured worker groups.

Research into use of auditory warning devices

Also in 2008, a WSIB-funded team based at the University of Ottawa and led by Christian Giguere completed a two-year study looking at the optimal installation of auditory warning devices to improve workplace safety. This study used practical tools and a model workshop to test a variety of installations of warning devices designed for noisy workplaces.

Results help with optimal location

Using two integrated modelling tools, the study developed a solution that can easily be understood and used in the field. The study will help workers and employers set up work areas so that warning devices are optimally located on walls, and that frequency and volume of sound is tailored to the specific characteristics of workers and work areas.

The study also contributes to the investigation of the effects of noise-induced hearing loss, and of the use of hearing protectors, on workers' perception of warning sounds.

Knowledge will lead to more informed decision-making

Occupational Health and Safety workers will benefit from the study through more informed decision-making regarding the procurement and installation of warning

devices in the workplace. At the same time, this work contributes to new knowledge and insight into the optimal design and operation of warning devices in workplaces. Such knowledge is of use to industrial hygienists and engineers, device manufacturers, and standardization organizations.

CENTRES OF RESEARCH EXPERTISE

Funding for the first two centres to be established – the Centre of Research Expertise for the Prevention of Musculoskeletal Disorders (CRE-MSD) and the Centre of Research Expertise in Occupational Disease (CREOD) – was renewed in 2008 for an additional three-year term, 2009-2011.

A third centre of research expertise – the Centre for Research Expertise in Improved Disability Outcomes (CREIDO) – was launched in 2006, and is currently in its third year of an initial five-year funding agreement.

New research centre

Most of the groundwork was laid in 2008 for a fourth research centre, the Occupational Cancer Research Centre (OCRC), housed at Cancer Care Ontario in Toronto. The OCRC is the result of a partnership among the WSIB, the Canadian Cancer Society, Cancer Care Ontario, and the United Steelworkers. The OCRC was successfully launched on March 5, 2009.

INSTITUTE FOR WORK & HEALTH

The Institute for Work & Health (IWH) is an internationally recognized research organization that has operated with the WSIB's support since 1991. The IWH has a mission to conduct research that protects and improves the health of working people.

New reviews provided practical information

Two new IWH systematic reviews provided practical information on preventing work-related injuries and illnesses.

One review showed that small businesses benefit most from multi-component prevention interventions. The review also found that small businesses need services that help them understand Occupational Health and Safety (OHS) rules, recognize their lack of formal OHS systems and resources, and are tailored to their size and sector.

The institute provided research-based guidance

In the arena of disability prevention, the IWH offered research-based guidance in several ways. The institute developed a guide for decision-makers in the compensation claims process. The guide helps to identify warning signs or "red flags" that may complicate claims, and "green lights" that are helpful practices in the claim process. The guide, which emerged from a study of complex compensation claims, will be published in 2009.

Valuable advice provided to improve WSIB service delivery

During the WSIB's redesign of its case management services for the new Service Delivery Model, IWH was consulted for its expertise in return to work. IWH scientists met with WSIB staff to provide feedback on WSIB's proposed approach and to point to relevant research evidence. The new Service Delivery Model also drew on past IWH work, such as the Seven Principles of Successful Return to Work and earlier systematic reviews.

ABOVE: *The opening of the Occupational Cancer Research Centre. (from left)* **Peter Goodhand**, *CEO, Canadian Cancer Society;* **Dr. Jay Meyers**, *CEO, Canadian Manufacturers and Exporters;* **Laura Albanese**, *MPP, York South-Weston;* **Wayne Frazer**, *district director, United Steelworkers; and* **Steven W. Mahoney**, *chair, WSIB.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Management's Responsibility

Management's discussion and analysis (MD&A) provides management's perspective on key issues that impact the current and future financial condition and operating results of the WSIB for the year ended December 31, 2008. This discussion should be read in conjunction with the audited consolidated financial statements and accompanying notes, which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The WSIB also uses certain non-GAAP measures to track its performance, some of which will be discussed in this report. Information presented is as of December 31, 2008, unless otherwise indicated. When information as of December 31, 2008 is not available, information for the latest period before December 31, 2008 is used.

The information in the MD&A necessarily includes amounts based on informed judgments and estimates. Forward-looking statements contained in this discussion represent management's expectations, estimates, and projections regarding future events based on the information currently available, involving assumptions, inherent risks, and uncertainties. Readers are cautioned that actual results in the future may differ materially from projections in cases where future events and circumstances do not occur as expected.

ROLE OF THE BOARD OF DIRECTORS

The WSIB Board of Directors acts in a financially responsible and accountable manner in exercising its powers and performing its duties. The Board of Directors' responsibilities in relation to the reporting of financial statements are to ensure that the financial information reported by management in the Annual Report and elsewhere reasonably reflects the financial condition, results of operations, plans, and long-term commitments of the WSIB, as well as appropriate risk-mitigation strategies, effective functioning of the internal audit system, and effective conduct of the external audits. The Board is also responsible for providing the Ontario Minister of Labour with the following documents annually: A current strategic plan, an annual budget and business plan, an annual statement of investment policies and procedures, an annual report, and an annual value-for-money audit.

ROLE OF THE AUDIT AND FINANCE COMMITTEE

The role of the Audit and Finance Committee is to provide assistance to the Board of Directors in carrying out its oversight responsibilities related to the WSIB's financial reporting practices,

systems of internal control, and risk management; its performance, independence, and the qualifications of its internal and external auditors; as well as compliance with policies related to financial reporting obligations that may apply to the WSIB.

About the WSIB

The WSIB promotes workplace health and safety and provides a workplace insurance system for Ontario employers and workers. Its vision is the elimination of all workplace fatalities, injuries, and illnesses. The WSIB is a statutory corporation responsible for administering the *Workplace Safety and Insurance Act* (Ontario). The WSIB does not have control over this act, and any future legislative changes could impact the WSIB's financial position.

Fundamental to the system is a historic compromise by which workers gave up the right to sue for their work-related injuries, irrespective of fault, in return for guaranteed benefits for allowed claims. Employers, for their part, receive protection from lawsuits in exchange for financing the program through premiums. This system of collective liability provides fair compensation for injured workers and their families, while spreading individual costs among employers. As in other insurance frameworks, high-risk industries with more claims costs pay higher premium rates. The WSIB is funded entirely by employer premiums and does not receive funding from the Government of Ontario.

The WSIB maintains an Insurance Fund to cover future obligations in relation to existing claims. The return on investment of the Insurance Fund is an integral part of the overall funding of WSIB benefits. Premiums collected by the WSIB are not only used to fund injured worker benefits but also to cover the operating costs of Health and Safety Associations, the Workers Health and Safety Centre, and the Occupational Health Clinics for Ontario Workers. The WSIB is also required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety Act*, as well as to provide funding for the Workplace Safety and Insurance Appeals Tribunal, the Offices of the Worker and Employer Advisers, and the Fair Practices Commission.

The WSIB also oversees Ontario's system of workplace safety education and training.

Corporate strategy

The WSIB's vision – the elimination of all workplace fatalities, injuries, and illnesses in Ontario – is strongly reflected in its Five-Year Strategic Plan, 2008-2012: *The Road to Zero*, which outlines a course of action that accelerates the WSIB's progress towards its vision: The elimination of all workplace fatalities, injuries, and illnesses in Ontario.

The Road to Zero contains a five-year strategic direction for the WSIB, and comprises four fundamentals. These fundamentals are:

Health and Safety – By changing attitudes in the community towards workplace health and safety, and by supporting employers and workers as they strive to prevent workplace injuries and illnesses, the WSIB aims to reduce the lost-time injury rate and the number of traumatic fatalities by 35 per cent from 2007 levels by 2012.

Service Excellence – The WSIB will develop programs, tools, and partnerships that encourage and support workplaces and communities, fostering the development and implementation of early, safe, and sustainable return to work, effective health-recovery programs and services, and fair and timely insurance benefits.

Financial Sustainability – The WSIB completed a review of its funding framework in 2008 and continued to broaden and embed effective management practices to ensure sound financial stewardship and organizational effectiveness. The economic downturn that started in late 2008 has reinforced the requirement for sound, prudent financial management. The WSIB continually assesses and, where appropriate, revises its investment approach in order to strengthen the funding framework. The WSIB remains committed to eliminating the unfunded liability and achieving full funding.

Organizational Excellence – Through continuous development and support of employees, and by providing the processes, tools, and technology to enable delivery of services and achievement of outcomes, the WSIB will accelerate Ontario's progress on *The Road to Zero*.

Highlights of Financial Performance

2008 FINANCIAL RESULTS

In 2008, revenues fell short of total benefit costs and other expenses by $2,416 million, compared with $1,130 million for the year ended December 31, 2007. This increase of $1,286 million is primarily due to dramatic financial market declines in equities. The WSIB's Insurance Fund, like most other investment market funds, was severely impacted by this global market decline.

This change in the WSIB's financial position does not threaten its ability to provide benefits to injured workers and services to employers; nor does it weaken the WSIB's ability to bring about a positive cultural shift in attitudes towards workplace health and safety in Ontario.

Negative investment performance was reflected in investment revenue for the Insurance Fund. An investment loss of $1,211 million was recorded in 2008, compared with investment revenue of $812 million in 2007 – a year-over-year decrease of $2,023 million. A combination of the lower investment revenue and an increase in net unrealized investment losses were principal factors driving the total comprehensive loss of $3,375 million.

While the investment loss for 2008 was disappointing, the WSIB's investment performance was better than the WSIB's investment benchmark and the median return for large Canadian pension funds, which were in the range of negative 16.0 to negative 18.0 per cent. The WSIB's rate of return for the past 15 years of 6.6 per cent is in line with our objective of 7.0 per cent return over the long term.

The WSIB's investment strategy is based on sound research and governance processes that are reviewed annually. In 2007, the Investment Committee and Board of Directors approved research aimed at reducing annual volatility of investment returns through diversification of drivers. In 2008, this research culminated in the approval of revisions to investment policies and governance processes to implement the revised strategy. As part of this implementation plan, additional investment expertise was added to the Board of Directors. Recognizing the market uncertainty in the latter part of 2008, the Investment Committee met more frequently to discuss risks and opportunities arising, and implications for the revised strategy.

Due mainly to the investment loss, the unfunded liability has increased to $11,469 million at the end of 2008. This is $3,375 million higher than at the end of 2007, when it was $8,094 million. The WSIB's funding ratio has decreased by 12.9 percentage points to 53.5 per cent on December 31, 2008, from 66.4 per cent at December 31, 2007. The WSIB remains committed to reducing the unfunded liability through a range of measures including improving workplace health and safety, return to work programs, and the management of health care for injured workers.

Administrative expenses form only a small part of overall expenses (11 per cent). Since 2004, the WSIB has committed to hold the line on these expenses without compromising service quality. Controllable administrative expenses were frozen for 2005 to 2007, and held to minimal consumer price index increases for 2008. These results were achieved through productivity improvements offsetting investments in strategic initiatives, collective agreement increases, growth in business volumes, external funding requests, and increased legislative obligations. Controllable expenses for 2005-2008 were a total of $47 million lower than budget.

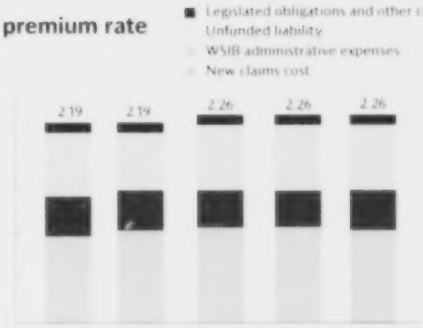
Overall financial results are very disappointing, reflecting negative equities markets and a stressed credit environment. However, the WSIB remains committed to its current funding framework, which aligns the WSIB's financial strategies with its Five-Year Strategic Plan, 2008-2012: *The Road to Zero*, and its Prevention Strategy, and their associated targets and expected outcomes. Through the Funding Framework, the WSIB is ensuring the long-term viability of the workplace safety and insurance system, and that the WSIB's financial resources are dedicated to improving the well-being of workers and employers throughout Ontario.

Financial Performance and Condition at a Glance

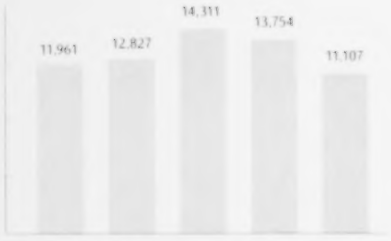
Unfunded liability[1]

[1] Unfunded liability includes accumulated other comprehensive income, effective 2004

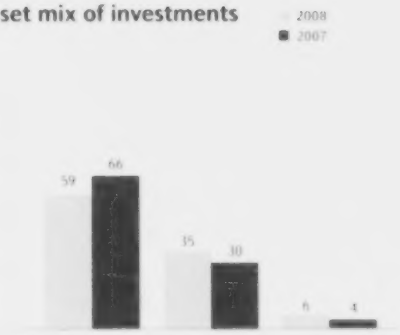
Average premium rate



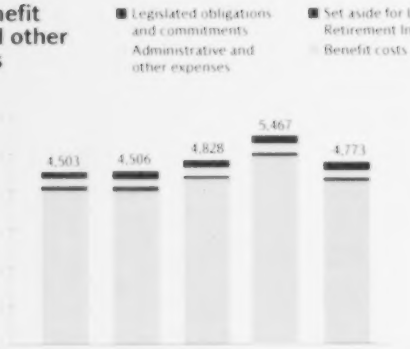
Carrying value of investments



Actual asset mix of investments

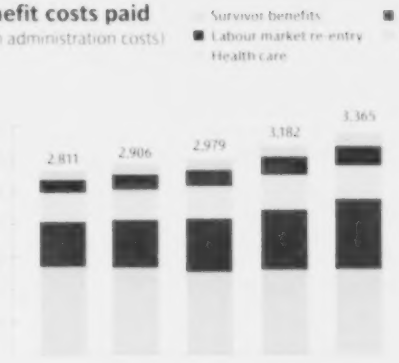


Total benefit costs and other expenses

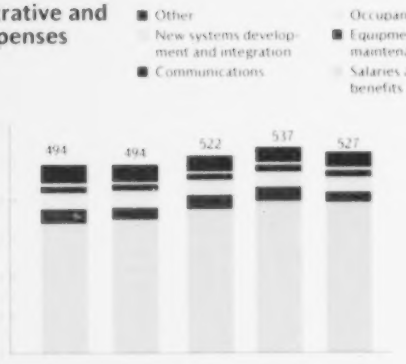


Total benefit costs paid

(before claim administration costs)



Administrative and other expenses



2008 Financial Performance Review

OPERATING RESULTS

The financial results of the WSIB are significantly influenced by a range of factors, including changes in the Ontario economy, legislation, frequency and severity of claims, and the conditions of the world financial markets. In 2008, the WSIB's results were significantly impacted by the global economic crisis. The major declines in financial markets negatively affected investment returns, leading to a loss for the Insurance Fund.

In 2008, revenues fell short of total benefit costs and other expenses by $2,416 million, compared with $1,130 million in 2007, an increase of $1,286 million. The investment revenue decrease of $2,023 million was partially offset by the change in benefit liabilities, largely due to $750 million in one-time costs recorded in 2007 for legislated costs arising from Bills 187 and 221. Administrative and other expenses, before reclassification of claim administration costs to benefit costs, also decreased by $10 million.

Unfunded liability

The unfunded liability increased to $11,469 million at the end of 2008 compared with $8,094 million in 2007, an increase of $3,375 million. The increase is primarily attributed to lower investment returns in turbulent global markets and challenging economic conditions. Underachievement in the reduction of lost-time injury rates and claims durations also contributed to the unfunded liability. As a result, the WSIB's funding ratio decreased to 53.5 per cent in 2008, compared with 66.4 per cent in 2007.

The main reasons for the net increase of $3,375 million in unfunded liability in 2008 were:

- $3,087 million increase due to lower than expected investment income on invested assets;
- $883 million increase primarily due to worse than expected claims experience;
- $102 million increase due to changes in the assumption for Loss of Earnings termination rates;
- $40 million increase in Loss of Earnings calculations due to reductions in personal income tax rates; offset by
- $438 million decrease due to the change in the long-term inflation assumption; and
- $299 million net decrease, resulting from premiums allocated to the reduction of the unfunded liability, offset by investment income not earned due to the shortfall in invested assets.

Additional information is shown in note 10: Reconciliation of the change in the unfunded liability.

The WSIB is proactively and strategically addressing the escalating unfunded liability by promoting workplace health and safety and return to work; by revising its investment strategy to reduce the effects of market volatility; by assessing costs and revenue factors that impact the system; and by improving efficiency throughout the organization. The WSIB's investment returns for 2008 reflect the experience in world markets in 2008, although returns still outperformed the median return for Canadian pension funds and the WSIB's investment benchmark. The WSIB had a positive average rate of return for the past 15 years of 6.6 per cent.

Year	Insurance Fund Total Return
2008	(15.5) %
2007	(0.7)
2006	16.2
2005	10.5
2004	8.5
2003	12.8
2002	(6.2)
2001	(1.5)
2000	8.0
1999	12.8
1998	11.1
1997	16.3
1996	16.6
1995	18.4
1994	(1.7)
15-Year Average Annualized Return (at December 31, 2008)	6.6%

REVENUE

Premium revenue

Premiums are charged to employers to cover the total cost of current-year claims, which includes future administrative costs and overhead expenses. Schedule 1 employers have a component built into their premium rate that contributes towards paying down the unfunded liability. In 2008, total premium revenue was $3,566 million, compared with $3,523 million in 2007. The

average premium rate remained at $2.26 per $100 of insurable payroll for the third year in the row, and remains at this level for 2009. The insurable payroll for 2008 was $150,535 million, compared with $146,393 million in 2007, an increase of $4,142 million or 2.8 per cent. Growth in premium revenue is attributed to a corresponding growth in insurable earnings. Service and Manufacturing sectors accounted for 49.8 per cent of insurable earnings and 36.4 per cent of total premium revenue in 2008. The Construction sector produced 23.1 per cent of premium revenue in 2008, while comprising 8.8 per cent of total insurable earnings for the year.

In other sectors of the provincial economy, such as Automobile and Forestry, premium revenue decreased as these sectors continue to suffer from the pressures of depressed markets and decreased consumer demand. Premium revenue was also negatively impacted by higher net Experience Rating refunds, which increased by $26 million in 2008 compared with 2007 due to the increase in Second Injury and Enhancement Fund (SIEF) usage, as well as anticipated performance in the NEER and CAD-7 programs.

In 2008, the WSIB introduced the Fatal Claim Premium Adjustment policy, which ensures that an employer that has had a work-related traumatic fatality does not benefit from Experience Rating rebates for the year in which the fatality occurred. A Validation unit was also established to review employers who receive rebates to make sure that they are, in fact, meeting their health and safety obligations. In 2009, review and improvement of Experience Rating programs will continue.

In 2008, Bill 119 was passed in the legislature, which will require the extension of mandatory benefits and services contained in the *Workplace Safety and Insurance Act*, 1997 (WSIA) to independent operators in construction and some other individuals in the construction industry who are currently not covered. This change will take effect at the beginning of 2012. The intent of the government is that the proposed amendments would come into effect three years following royal assent. This three-year period will enable the WSIB to develop systems to support the proposed changes.

Bad debts increased to $69 million in 2008 from $20 million in 2007. The $49 million increase in bad debts was due to a one-time adjustment of $16 million that reduced bad debt expenses in 2007 and a $33 million increase in 2008. Bad debts expense for 2008 arises mainly from the Construction, Services, Transportation, and Manufacturing industry sectors.

Revenue from Schedule 2 employers was $359 million in 2008, compared with $337 million in 2007, due to higher reimbursements of benefit costs from Schedule 2 employers as a result of higher claims persistency and worker pension costs.

PREMIUM REVENUE FOR YEARS ENDED DECEMBER 31

($ millions)	2008	2007	Increase / (Decrease)	
Schedule 1 (collective liability)				
Premiums assessed	$2,399	$2,242	$157	7.0%
Experience Rating net refunds	(144)	(118)	(26)	(22.0)
Interest, penalties, less bad debts	(10)	38	(48)	(126.3)
Schedule 1 current premiums	**2,245**	**2,162**	**83**	**3.8**
Schedule 2 (self-insurers) reimbursements	359	337	22	6.5
Premiums for the year	**2,604**	**2,499**	105	4.2
Premiums for the unfunded liability	962	1,024	(62)	(6.1)
Total premium revenue	**$3,566**	**$3,523**	**$43**	**1.2%**

Investment revenue

The WSIB's investments are held in an Insurance Fund to meet future benefit payments to injured workers. They are diversified among three primary asset classes: Public fixed-income securities, public equities, and private real estate. The Insurance Fund carrying value at December 31, 2008 was $11,107 million after transfers totalling $540 million to fund injured worker benefit payments. This is a decrease of $2,647 million from the carrying value at the end of 2007.

The WSIB's investment strategy has a long-term time horizon. However, 2008 recorded the most dramatic financial market declines in the post-war period. The significant decline in asset values occurred primarily in the second half of the year.

An investment loss of $1,211 million was recorded in 2008, compared with investment revenue of $812 million in 2007 – a year-over-year decrease of $2,023 million. The following table shows the total compounded annual returns for the Insurance Fund as at December 31, 2008, over one-, four-, 10- and 15-year periods. To show the significant impact in the second half of the year, the table also shows what the returns were as at mid-year over similar short- and long-term periods.

INSURANCE FUND TOTAL RETURNS (IN CANADIAN DOLLARS)

	1 Yr.	4 Yrs.	10 Yrs	15 Yrs
As of December 31, 2008	(15.5%)	1.9%	4.0%	6.6%
As of June 30, 2008	(5.5%)	6.2%	5.5%	8.3%

The financial crisis, which originated in the U.S. mortgage markets in 2007, impacted U.S. and European financial institutions and, in 2008, led to an economic and consumer-confidence crisis. Personal real estate and equity wealth declined dramatically, as did lending to businesses

as banks attempted to protect their balance sheets. Central banks acted to stabilize financial market liquidity and recent indications are that liquidity may be gradually returning to key lending markets that fund economic activity. Governments have augmented these monetary actions with unprecedented fiscal stimuli to kick-start economic activity in the face of increasing unemployment.

Global equities markets ended 2008 down (by negative 25 per cent in Canadian-dollar terms for the year), with all major indices experiencing large declines in the fourth quarter. Equities markets across the developed world declined significantly as the global financial situation and the slowing U.S. economy continued to impact the global market. Canadian equities underperformed other developed markets, driven by the collapse of energy and financials later in the year. Canadian bonds gained more than six per cent during the year, with much of that return due to the strength in government bonds as investors sought safety and avoided investment risk of any sort.

The significant weakening of the Canadian dollar in 2008 had a positive impact on the returns earned on the WSIB's foreign investments. The global equities returns of minus 25 per cent noted above would have been minus 40 per cent had the Canadian dollar remained unchanged.

Current and new investment strategies continue to be evaluated to ensure that sources of investment revenue are broad. To that end, the WSIB has planned several initiatives for 2009, including a reduction in traditional public equities investments in favour of investments in private markets through strategic partnerships and total return strategies that employ more techniques to manage investment risk. To reduce the year-to-year volatility of investment returns, implementation of a hedging program to reduce partially the foreign currency impacts that are inherent in the fund's global equities investments is also planned for 2009.

BENEFIT COSTS AND OTHER EXPENSES

The WSIB's total expenses comprise benefit costs, amounts set aside for the Loss of Retirement Income Fund, administrative and other expenses, and legislated obligations and commitments. In 2008, total expenses were $4,773 million, a decrease of $694 million from $5,467 million in 2007.

Benefit costs

Benefit costs consist of two components: Benefit costs paid, which represent the amount paid to injured and ill workers during the year; and the change in benefit liabilities, which is the adjustment to the actuarially determined estimates for future claim costs for current- and prior-year claims. In accordance with the *Workplace Safety and Insurance Act*, the WSIB provides benefits for loss of earnings, non-economic loss benefits for permanent impairment, payments for health-care expenses, assistance to facilitate return to work, and survivor benefits in case of work-related

fatalities. Total benefit costs in 2008 were $4,258 million, compared with $4,186 million in 2007, excluding the one-time $750 million cost of legislated changes introduced in 2007. This $72 million increase was due to higher benefit costs paid of $202 million, offset by a lower increase in benefit liabilities of $130 million. The main factors impacting benefit costs paid and benefit liabilities are discussed below.

Benefit costs paid

In 2008, Loss of Earnings (LOE) benefit costs paid were $1,031 million, compared with $906 million in 2007 – an increase of $125 million or 13.8 per cent. This increase is mainly attributable to an additional year of claims included in LOE inventory, the indexation of claims, and more claims receiving full indexation. There was also an increase in the duration of LOE claims.

Labour Market Re-entry (LMR) costs paid increased by $26 million, or 9.2 per cent, from 2007 – reaching $309 million in 2008, compared with $283 million in 2007. The increased LMR costs paid were due to higher income support payments for injured workers participating in LMR programs resulting from a higher volume of claims and greater duration in LMR programs.

While increases in LOE and LMR accounted for the majority of the increase in benefit costs paid, health-care benefit costs paid also increased by $15 million, or 2.8 per cent, and reached $542 million in 2008, compared with $527 million in 2007. The increase can be attributed to higher usage rates coupled with higher costs per service, partially offset by lower health-care-related claims volumes.

Survivor benefits increased to $185 million in 2008 from $169 million in 2007. This increase of $16 million, or 9.5 per cent, is primarily a result of the impact of claim growth and annual CPI indexation impacting cost per claim.

Change in benefit liabilities

The WSIB's benefit liabilities are actuarially determined provisions for future benefit costs related to claims that occurred on or before December 31, 2008. As of December 31, 2008, the benefit liabilities were $22,340 million, a $580 million increase from the December 31, 2007, value of $21,760 million.

Changes in actuarial assumptions resulted in a $319 million reduction in benefit liabilities. The long-term inflation assumption was reduced from 3.0 per cent to 2.5 per cent per annum, which resulted in a reduction in liabilities of $438 million. This was partially offset by a $119 million increase, which was primarily due to an increase in the duration assumption for loss of earnings claims.

In addition, benefit liabilities increased by $899 million due to the growth of new claims outpacing the natural reductions of benefit liabilities and closures of older claims. The changes

in claim inventories include the following increases:

- $1,051 million increase due to net growth in Loss of Earnings claims inventory;
- $86 million increase in health-care liabilities due to continued growth in inventory;
- $29 million increase due to net growth in survivor benefit claims inventory; and
- $37 million net increase due to net growth in labour market re-entry and NEL inventories.

These were offset by the following decreases:

- $197 million decrease due to natural reductions and closures of worker pensions and supplemental payments to injured workers covered under pre-1990 legislation;
- $85 million decrease due to natural reductions and closures of future economic loss benefits, their supplemental payments, and temporary compensation benefits; and
- $22 million decrease in future claim administration costs, reflecting lower administrative expenses achieved in recent years.

The overall increase in benefit liabilities of $580 million is $880 million lower than the 2007 increase of $1,460 million. The $880 million reduction is primarily due to the following:

- $750 million decrease due to one-time costs for the enactment of Bills 187 and 221 in 2007;
- $405 million decrease due to actuarial assumption changes for reduction in the long-term inflation rate in 2008, offset by increases due to increase in Loss of Earnings claim durations; and
- $275 million increase in claim inventories.

Administrative and other expenses

In 2008, administrative and other expenses were $527 million, compared to $537 million for the same period in 2007 – a decrease of $10 million, or 1.9 per cent. These expenses comprise the cost of adjudicating and administering claims and other administrative expenses. Other administrative expenses include the cost of prevention, financial services, human resources, and special projects. In the Consolidated Statement of Operations, claim administration costs are included in benefits, and other administrative expenses are reported separately. (See note 11 to the Consolidated Financial Statements.)

Since 2004, the WSIB has held the line on overall administrative expenses within its control without compromising service quality. Overall, for the four-year period of 2005 to 2008, the WSIB managed to maintain controllable administrative costs below allocated funding levels over the four years. The WSIB achieved this goal through numerous improvements to the efficiency and effectiveness of programs and business practices across the organization, while operating in an environment of escalating cost pressures and continued investments in initiatives to support the WSIB's Five-Year Strategic Plan, 2008 – 2012: *The Road to Zero*.

Total administrative and other expenses, before reclassification of claim administration costs to benefit costs, decreased by $10 million, or 1.9 per cent, compared with 2007. Cost decreases were

due to the following factors:

- Staff benefits expenses decreased by $27 million, or 28.1 per cent, compared with 2007. The decrease is attributed to the increase in the market-based discount rate used to calculate expenses for the year from 5.15 per cent in 2007 to 5.75 per cent in 2008.
- New systems development and integration expenses decreased by $2 million, or 25 per cent, over 2007. Project expenses were higher in 2007, mainly due to the work to replace the imaging system, that tracks and stores images of documents and is a key component of WSIB's claim management system.

The decreases in administrative and other expenses were partially offset by the following increases:

- Salaries and fringe benefit expenses increased by $15 million, or 5.0 per cent, over 2007. This increase is attributed mainly to increases under collective agreement provisions and, to a lesser extent, to some increases in staff through proactive recruitment practices to address front-line vacancies.
- Other expenses increased by $2 million or 11.1 per cent, compared with 2007, mainly due to increases in specialized services to implement information-technology upgrades.
- Travel and vehicle maintenance expenses increased by $1 million, or 25 per cent, compared with 2007. This increase is mainly due to the rollout of the new Service Delivery Model, and additional travel requirements to communicate the Five-Year Strategic Plan, 2008 – 2012: *The Road to Zero*, and the Prevention Strategy for Workplace Health and Safety in Ontario.

In December 2008, WSIB management initiated an Efficiency Review – a strategic and ongoing approach to improving efficiency and finding cost savings where feasible, while ensuring we do not compromise service quality to injured workers and employers and continue to meet our strategic goals and targets.

The results of the Efficiency Review will inform the course of action in 2009, and business planning for 2010 and beyond. The WSIB will continue to strive for business excellence by making sound decisions to improve its effectiveness and efficiency, and to strengthen its financial stewardship for the future.

Legislated obligations and commitments

The WSIB is required by legislation to fund the administration of various related organizations, such as the Health and Safety Associations, the Office of the Worker Adviser, the Office of the Employer Adviser, the Workplace Safety and Insurance Appeals Tribunal, and programs under the *Occupational Health and Safety Act*.

Total legislative obligations and commitments increased by $8 million in 2008 to $226 million. This increase is attributed mainly to the increase in funding for administration of the *Occupational Health and Safety Act* and a funding increase for the Health and Safety Associations to provide specialist health and safety expertise to Ontario workplaces.

Accounting matters and disclosure

The WSIB's significant accounting policies are described in detail in note 2 to the 2008 Consolidated Financial Statements.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the year. The following sections contain areas of uncertainty or significant impacts on our reporting disclosures.

BENEFIT LIABILITIES AND BENEFIT COSTS

Benefit liabilities and benefit costs form a significant part of the WSIB's operations, affecting every other area of performance. They are calculated using an actuarial present value, which uses estimates of both reported and unreported claims. The actuarial present value of future benefit payments depends on actuarial assumptions that are based on past experience, modified for current trends and strategic initiatives – for example, *The Road to Zero*. They may change materially in the future based on experience. See note 9 to the 2008 Consolidated Financial Statements for more details on benefit liabilities and benefit costs.

PENSION AND OTHER EMPLOYEE FUTURE BENEFIT PLANS

The accrued pension obligations of the plans reflect management's estimates of salary escalation, investment rate of return, mortality of members, terminations, and ages at which members will retire. For a description and other important information on pensions and other employee future benefits, see note 8 to the 2008 Consolidated Financial Statements.

OTHER THAN TEMPORARY IMPAIRMENTS

Securities classified as available-for-sale are adjusted annually for their fair value, with the unrealized gains/losses going to other comprehensive income. These securities are evaluated for impairment based on the level of decline in value and persistency judged to be sufficient to be considered other than temporary. Level and persistency is determined based on historical experience. Other-than-temporary impairment results in a write down, affecting net income and removal of the impairment from accumulated other comprehensive income. See note 2 to the 2008 Consolidated Financial Statements for more details.

Future changes in accounting policies

The WSIB has adopted, or is planning to adopt in the near future, several significant changes to its accounting policies. The following are four significant areas that will result in future changes to our financial reporting as mandated by the Canadian Institute of Chartered Accountants (CICA).

FINANCIAL INSTRUMENT DISCLOSURE AND PRESENTATION

Effective January 1, 2008, the WSIB is required to comply with *CICA Handbook* Sec. 3862: Financial Instruments – Disclosures, and Sec. 3863: Financial Instruments – Presentation. These sections replace existing Sec. 3861: Financial Instruments – Disclosure and Presentation. While presentation standards are carried forward unchanged, disclosure standards are enhanced and expanded to complement the changes in accounting policy adopted in accordance with Sec. 3855: Financial Instruments – Recognition and Measurement.

CAPITAL MANAGEMENT

Effective January 1, 2008, the WSIB is required to comply with *CICA Handbook* Sec. 1535: Capital Disclosures. This section establishes standards for disclosing information that enable users of financial statements to evaluate the organization's objectives, policies, and processes for managing capital. The new requirements are for disclosure only, and will not impact the financial results. See note 14 to the 2008 Consolidated Financial Statements for the capital management disclosure.

GOODWILL AND INTANGIBLE ASSETS

Effective January 1, 2009, the WSIB will adopt the CICA's new *Handbook* Sec. 3064: Goodwill and Intangible Assets. This section replaces existing Sec. 3062: Goodwill and Other Intangible Assets, and Sec. 3450: Research and Development Costs. This section clarifies the recognition and measurement criteria for intangible assets, particularly for intangible assets that are internally generated. The WSIB does not anticipate the impact of implementing this standard will be material to its financial results.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed January 1, 2011, as the date the IFRS will replace current Canadian standards as Canadian generally accepted on accounting principles (Canadian GAAP) for publicly accountable enterprises. This will require financial statements for 2011 and 2010 on comparative figures to be in accordance with IFRS. The CICA is gradually adopting new standards conforming to IFRS until the 2011 transition date occurs.

The AcSB has tentatively concluded that not-for-profit organizations should be able to adopt IFRS or the *Public Sector Accounting Handbook*, depending on their assessment of which standards best meet their reporting obligation to their users. Currently, the WSIB prepares its financial statements using the *CICA Handbook*. The WSIB is currently in the process of determining the appropriateness of IFRS reporting to its business and evaluating the impacts and implications of conversion to IFRS.

The final decision on whether to convert to IFRS will depend on this assessment, as well as on guidance and direction from the Province of Ontario. In order to preserve the option of moving to IFRS, WSIB is engaged in a multi-stage process to permit transition by 2011 if required.

In 2008, the WSIB made significant progress on its multiple-stage transition process. An initial high-level diagnostic assessment was completed, with impacts identified. The WSIB regularly shares information with other workers' compensation boards in Canada to identify common issues and solutions on IFRS. Regular progress reports are provided to the Audit and Finance Committee of our Board of Directors.

In order to meet the potential requirement to transition to IFRS, preparation includes key elements of a conversion plan with the following elements:

- education and training;
- accounting policy changes;
- financial disclosure requirements;
- information technology and data systems impacts;
- internal control over financial reporting; and
- impacts on business groups and functions.

In 2009, the multi-stage transition process will continue. Activities include on-going education and training sessions, reviewing policy options, developing business requirements, and implementing solutions.

Enterprise risk management

Risk is present in all aspects of the operation of a large organization such as WSIB, making risk management a priority that is not only essential for our success but also required as part of good governance and fulfilling our responsibilities to stakeholders through a diligent execution of our mandate. The WSIB defines risks as events or conditions that may prevent the organization from achieving its strategic and key business objectives. The WSIB's risk-management approach is integrated, future-focused, and process-oriented to assist the WSIB in managing all key business risks and opportunities, with the intent of maximizing value for the enterprise as a whole.

In recognition of its fiduciary responsibility to stakeholders, the WSIB has implemented an integrated Enterprise Risk Management Framework, including policies and procedures that formally identify, assess, manage, and report on risks. Enterprise Risk-Management is a structured and disciplined approach aligning strategy, processes, people, technology, and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces as it creates value. The WSIB's objective is to limit exposure to undue risk. Risk-management plans are embedded into the WSIB's strategic and business unit plans.

Risk planning is integrated into the annual business planning cycle. Risk planning involves discovery and assessment of risks, as well as ensuring that appropriate mitigating strategies are incorporated into the plan to increase the probability of success.

The WSIB's risk-identification system has both the rigour and the flexibility to deal with constant changes in the environment in which the WSIB operates. Risk identification is a continuous process. Enterprise-wide risks are reviewed and updated on at least an annual basis to reflect both the key risks that must be managed and changes in the organization's risk profile.

Factors that may affect future results

Some key financial factors and risks can affect the WSIB's future results. Economic uncertainties and downturns in the investment markets, as well as significant changes to Ontario's demographics, industrial base, and the nature of work in this province are creating significant challenges for the WSIB. Ontario is dealing with a structural shift in industry sectors, due in part to the economic downturn. Declining employment rates serve to reduce insurable payrolls, thereby directly impacting on the WSIB's premium revenue.

Other significant risk factors are the possibility of a continuing upward trend in claims persistency and delayed return to work outcomes. Also, the growth in future Occupational Disease claims may exceed estimates, and external market factors may impair our ability to maintain investment returns at our target rate of seven per cent.

The WSIB's Five-Year Strategic Plan, 2008-2012: *The Road to Zero*, demonstrates the organization's ongoing commitment to the elimination of all work-related injuries, illnesses, and fatalities in Ontario. With constantly evolving technology, and development of new and more efficient methods, the WSIB recognizes that there will always be room for improvement, and that we must never be satisfied with the status quo. There are initiatives in place to help the WSIB to achieve its objectives under each of the four business fundamentals in *The Road to Zero*. These initiatives will also help WSIB mitigate some of the risks mentioned earlier.

Outlook

Like all organizations, the WSIB is working to manage the effects of the current unprecedented economic downturn. The WSIB is striving to achieve cost savings in every area of its business while maintaining the highest possible standard of service for the workers and employers of Ontario.

The weak economy and the difficult credit and capital market conditions are creating added uncertainty in relation to future financial performance. During 2009, the WSIB plans to improve its financial performance by focusing on investment strategies to reduce volatility, by prioritizing expenses, and by maintaining our focus on costs throughout the year. During these

turbulent financial times, the WSIB's Board of Directors will continue to monitor progress closely, and will receive updates on financial impacts and the funding outlook.

At the same time, the WSIB will be looking comprehensively and carefully at the way the system is financed. It will be doing this with extensive input from stakeholders. 2009 will see a major consultation initiative that will receive input from employers and workers across the province. This will be an opportunity to discuss issues facing the workplace safety and insurance system, including the unfunded liability and premium rate-setting.

Over the past two and a half years, the WSIB Chair and senior representatives from the organization have met with business associations, labour groups, municipal officials, and individual workers across Ontario. Throughout this process, the WSIB has consistently emphasized the message that exemplary workplace health and safety practices belong on the asset side of the ledger. The majority of Ontario's employers understand this. They have adopted meaningful practices to prevent workplace incidents. Similarly, the majority of workers understand the importance of exercising their workplace health and safety rights and responsibilities.

Now, more than ever, focusing on health and safety in the workplace will earn much-needed returns for Ontario's workers and employers. Exemplary workplace safety practices translate into stable jobs and more productive workers while saving money and contributing to profitability.

The WSIB is not isolated from the current economic challenges. In 2009, it is undertaking a critical assessment of the programs and services it delivers and, while workplace health and safety remains paramount, there are programs that must be critically evaluated in light of the present financial reality. The WSIB will be working with all stakeholders in a co-operative effort to improve continuously Ontario's workplace safety and insurance system.

In this extraordinary economic climate, workers and employers are being encouraged to redouble their efforts in the prevention of workplace injuries. Ontario's workers and employers must make certain their workplaces are safe, healthy, and productive to facilitate the renewal of this province's economy.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the Annual Report is consistent with these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss. The Board of Directors has established an Audit and Finance Committee to ensure that management fulfils these responsibilities. The Audit and Finance Committee meets periodically with management, internal auditors, and external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation, disclosure, and recommendations on internal control.

The Internal Audit Division performs audits designed to test the adequacy and consistency of the WSIB's internal controls, practices, and procedures.

Role of the Actuary

With respect to the preparation of these financial statements, the actuary prepares a valuation, including the selection of appropriate assumptions, of the WSIB's benefit liabilities at the balance sheet date to determine the valuation of the benefit liabilities and provide an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the WSIB at the balance sheet date. The work to form that opinion includes an examination of the sufficiency and reliability of data, and review of the valuation processes. The actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practice, applicable legislation, and associated regulations and directives. In performing the valuation of these liabilities, which are by their very nature inherently variable, the actuary makes assumptions as to future interest and mortality rates, expenses, related trends, and other contingencies, taking into consideration the circumstances of the WSIB. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for future claim categories not sufficiently recognized in the claims experience and inventories. The actuary's report outlines the scope of the valuation and his opinion.

Role of the External Auditors

The external auditors, KPMG LLP, working under the direction of the Auditor General of Ontario, have performed an independent and objective audit of the financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors make use of the work of the actuary and his report on the benefit liabilities of the WSIB. The external auditors have full and unrestricted access to the Board of Directors and the Audit and Finance Committee to discuss audit, financial reporting, and related findings. The external auditors' report outlines the scope of their audit and their opinion on the financial statements of the WSIB.

Jill Hutcheon
President and CEO

Anthea English
Chief Financial Officer

March 20, 2009

AUDITORS' REPORT

To the Workplace Safety and Insurance Board,
the Minister of Labour and the Auditor General of Ontario

Pursuant to the *Workplace Safety and Insurance Act*, which provides that the accounts of the Workplace Safety and Insurance Board (WSIB) shall be audited by the Auditor General of Ontario or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the consolidated balance sheet of the WSIB as at December 31, 2008 and the consolidated statements of operations, changes in unfunded liability, comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of WSIB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

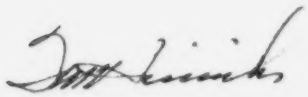
KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 20, 2009

ACTUARIAL OPINION

I have valued the benefit liabilities of the Workplace Safety and Insurance Board of Ontario for its consolidated balance sheet as of December 31, 2008, and its change in the consolidated statement of operations for the year then ended in accordance with actuarial practice generally accepted in Canada, including the selection of appropriate assumptions and methods.

In my opinion, the amount of benefit liabilities makes appropriate provision for all Schedule 1 Insurance Fund obligations and the consolidated financial statements fairly present the results of the valuation.



W. Robert Hinrichs
Fellow, Canadian Institute of Actuaries
March 20, 2009

CONSOLIDATED BALANCE SHEET

As of December 31

($ millions)	2008	2007
Assets		
Cash and cash equivalents	$128	$177
Receivables	877	888
Investments (note 3)	11,107	13,754
Loss of Retirement Income Fund (note 5)	890	974
Property, equipment, and other assets (note 6)	205	179
	$13,207	**$15,972**
Liabilities		
Payables and accruals	$853	$744
Long-term debt (note 7)	91	96
Loss of Retirement Income Fund (note 5)	890	974
Employee benefit plans (note 8)	502	492
Benefit liabilities (note 9)	22,340	21,760
	24,676	**24,066**
Unfunded liability (note 10)		
Accumulated excess of expenses over revenues	(11,917)	(9,501)
Accumulated other comprehensive income	448	1,407
	(11,469)	**(8,094)**
	$13,207	**$15,972**

Commitments and Contingencies (note 13)

On behalf of the Board of Directors:

Jill Hutcheon
President and CEO
Director

Marlene McGrath
Director

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

For the years ended December 31

($ millions)	2008	2007
Gross revenue	**$2,357**	**$4,337**
Current operations		
Revenues		
Premiums for the year	$2,604	$2,499
Investments (note 3)	(1,211)	812
Other income	2	2
	1,395	**3,313**
Expenses		
Benefit costs (note 9)	4,258	4,936
Loss of Retirement Income Fund (note 5)	75	70
Administrative and other expenses (note 11)	214	243
Legislated obligations and commitments (note 12)	226	218
	4,773	**5,467**
Excess of expenses over revenues from current operations	**(3,378)**	**(2,154)**
Premiums for unfunded liability	**962**	**1,024**
Excess of expenses over revenues	**$(2,416)**	**$(1,130)**

CONSOLIDATED STATEMENT OF CHANGES IN UNFUNDED LIABILITY

For the years ended December 31

($ millions)	2008	2007
Accumulated excess of expenses over revenues		
Balance at beginning of year	$(9,501)	$(8,371)
Excess of expenses over revenues	(2,416)	(1,130)
Balance at end of year	**(11,917)**	**(9,501)**
Accumulated other comprehensive income		
Balance at beginning of year	1,407	2,374
Unrealized losses on investments net of amounts realized	(959)	(967)
Balance at end of year	**448**	**1,407**
Unfunded liability at end of year	**$(11,469)**	**$(8,094)**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

($ millions)	2008	2007
Excess of expenses over revenues	$(2,416)	$(1,130)
Other comprehensive income (loss):		
Unrealized net losses on available-for-sale financial assets arising during the year	(2,558)	(540)
Realized (gains) losses included in income	1,599	(427)
Unrealized losses on investments, net of amounts realized	(959)	(967)
Comprehensive loss	**$(3,375)**	**$(2,097)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31

($ millions)	2008	2007
Operating cash flows		
Cash received from:		
Premiums for the year	$2,655	$2,531
Premiums for unfunded liability	980	1,041
Investment income	510	374
	4,145	3,946
Cash paid to:		
Claimants, survivors, and care providers	(3,362)	(3,186)
Loss of Retirement Income Fund	(75)	(70)
Employees and suppliers for administrative goods and services	(511)	(508)
Legislated obligations and commitments	(245)	(201)
	(4,193)	(3,965)
Net cash required by operating activities	**(48)**	**(19)**
Investing cash flows		
Sale of investments	19,877	19,613
Purchase of investments	(19,878)	(19,578)
Net cash provided (required) by investing activities	**(1)**	**35**
Increase (decrease) in cash and cash equivalents	**(49)**	**16**
Cash and cash equivalents, beginning of year	177	161
Cash and cash equivalents, end of year	**$128**	**$177**

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

1. Nature of Operations

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by an Act of the Ontario Legislature in 1914. The WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997*. The WSIB promotes the prevention of injuries and illnesses in Ontario workplaces and provides insurance benefits to workers who sustain injuries in the course of employment or who contract occupational diseases. The WSIB also provides insurance benefits in the case of workers who die due to workplace injuries or illnesses to their survivors and assists injured workers in their early and safe return to work.

Employers covered by the *Workplace Safety and Insurance Act, 1997*, are divided into two groups, referred to as "Schedule 1" and "Schedule 2." Schedule 1 employers are insured under a "collective liability" system and are required to contribute to the WSIB Insurance Fund. Schedule 2 employers are "self-insured" and are individually liable for the full costs of their workers' claims. The WSIB pays insurance benefits for Schedule 2 workers and is reimbursed by their employers for the costs of the claims, including administrative costs, and for the cost of the WSIB's prevention activities.

The WSIB also administers the federal *Government Employees Compensation Act*. Under an agreement with Human Resources Development Canada, the federal government is treated like a Schedule 2 employer.

Revenue is raised through premiums, which are collected from all Schedule 1 employers covered under the *Workplace Safety and Insurance Act, 1997*. Revenue is also earned from a diversified investment portfolio held to meet future obligations on existing claims. Schedule 2 reimbursements also contribute to WSIB revenue.

The WSIB receives no government funding or assistance. The financial statements have been prepared on a "going concern" basis as management has plans to eliminate the unfunded liability over the course of several years.

2. Significant Accounting Policies

The consolidated financial statements include the Schedule 1 and Schedule 2 accounts of the WSIB and its subsidiaries. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are summarized as follows:

BASIS OF CONSOLIDATION

The WSIB's subsidiaries and joint ventures are consolidated. Investments in entities in which WSIB exercises a significant influence are accounted for using the equity method.

The consolidated financial statements include the assets, liabilities, results of operations, and cash flows of all WSIB subsidiaries after the elimination of intercompany transa tions and balances.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and money market instruments with original maturities up to three months.

RECEIVABLES

Receivables consist of premium receivable from stakeholders. The balance is shown net of an allowance for doubtful accounts of $213 million (2007: $115 million).

INVESTMENTS

Investments in short-term securities, bonds, and equities are classified as either held-for-trading or available-for-sale based on management's intention. Investment transactions are recorded on the trade date basis. The WSIB has designated all of its investments as available-for-sale except for derivatives and the assets of the Loss of Retirement Income Fund, which are classified as held-for-trading.

Available-for-sale securities include securities that may be sold in response to or in anticipation of changes in interest rates, changes in foreign currency risk, changes in funding sources, or to meet liquidity needs. Available-for-sale securities are carried at estimated fair value.

Realized gains and losses are recognized as investment income in the year in which they occur. Unrealized gains and losses on available-for-sale securities are recognized in other comprehensive income until they are realized.

Available-for-sale securities are assessed regularly to determine whether an unrealized loss is an other-than-temporary impairment. Write downs to reflect other-than-temporary impairment are included in investment income and removed from accumulated other comprehensive income.

Held-for-trading securities, which are purchased for sale in the near term, are reported at estimated fair value. Realized and unrealized gains and losses are recognized as investment income as they arise.

Transaction costs are capitalized for all financial instruments designated as available-for-sale. For derivative financial instruments designated as held-for-trading, transactions costs are expensed as incurred.

The WSIB is party to forward foreign-exchange contracts that are designated as held-for-trading and are carried at fair value. Changes in the fair value of these forward foreign-exchange contracts are recognized in income in the period in which they arise.

REAL ESTATE INVESTMENTS SUBJECT TO SIGNIFICANT INFLUENCE

Significant influence is presumed when ownership in real estate entities is equal to or greater than 20 per cent. Investments in these entities are initially recorded at cost. Prior to January 1, 2004, the carrying value of these investments included move-to-market adjustments recorded to the end of 2003. These adjustments amortized any market value changes in these investments over a five-year period.

From January 1, 2004, the carrying value of these investments is adjusted to reflect the equity pick-up of earnings after a deduction for amortization of the building, less any dividends paid or payable. Amortization is taken over the estimated useful life of 40 years on a straight-line basis.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of investments are the year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based upon the yields and values of comparable marketable securities.

The real estate investments in which WSIB does not have a significant influence are stated at fair value based on market appraisals provided by independent third parties. Appraisals are based on accepted valuation methodologies of the Canadian Uniform Standards of Professional Appraisal Practice. These methodologies use a combination of techniques such as discounted cash flows, direct capitalization, and direct comparison, which incorporate observable market inputs.

The cost of short-term securities, treasury bills, and term deposits maturing within a year, plus accrued interest income, approximates the fair value of these instruments.

The carrying value of receivables and payables approximates their fair value because of the short-term nature of these instruments.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator. These values represent the WSIB's proportionate share of underlying net assets at fair value.

DERIVATIVE INSTRUMENTS

The WSIB invests in active currencies through forward contracts that are classified as held-for-trading and reported at fair value, with changes in fair value included in income through the statement of operations.

Derivative instruments are financial instruments that derive their value from that of other financial instruments, economic or financial indicators, including but not limited to, derivatives of equities, fixed-income, or currency-related investments, futures and /or forward contracts, swaps, options, warrants, depository receipts, rights, or other similar instruments. WSIB uses derivative instruments as an additional source of return, for economic hedging strategies to manage investment risk, to improve liquidity, or to manage exposure to asset classes or strategies, including but not limited to rebalancing.

IMPAIRMENT REVIEW

Available-for-sale securities are reviewed annually to identify and evaluate investments that show indications of possible impairment. An investment is considered impaired if its unrealized losses represent impairment that is considered to be other-than-temporary. In determining whether a loss is temporary, factors considered include the extent of the unrealized loss, length of time that the security has been in an unrealized loss position, and the WSIB's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If a decline is considered other-than-temporary, a write down is recorded.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the balance sheet date. Revenues and expenses are translated at exchange rates in effect on the transaction date. Realized exchange gains and losses are included in income. Unrealized exchange gains and losses for available-for-sale securities are included in other comprehensive income. Unrealized exchange gains and losses for held-for-trading securities are included in income.

LOSS OF RETIREMENT INCOME FUND

The Loss of Retirement Income Fund is invested in short-term securities, bonds, equities, and pooled funds. These investments are carried at estimated fair value. Changes in fair value are included in investment income of the Loss of Retirement Income Fund in the year in which they occur.

Annuities purchased from third parties to pay Loss of Retirement Income benefits to eligible claimants are accounted for as financial assets, and the corresponding liability to the claimants is accounted for as a financial liability. The WSIB remains liable for the annuities in the event of default by the annuity provider. These assets and liabilities are carried at estimated fair value.

PROPERTY, EQUIPMENT, AND OTHER ASSETS

Property, equipment, and other assets are recorded at cost. The cost of buildings includes development, financing, and other costs capitalized prior to the day they become fully operational. At this time, amortization commences. Capital assets are amortized using the straight-line method, at rates calculated to expense the cost of assets over their estimated useful lives, which are 20 years for buildings, five years for office equipment, three years for computer equipment, and the lesser of the lease term or 10 years for leasehold improvements.

PREMIUMS

Each year, the WSIB's Board of Directors approves preliminary and final premium rates. The preliminary rates are re-calibrated annually with current economic and actuarial assumptions and are used to solicit feedback from stakeholders in the development of the final premium rates. Premium rates are established to cover all expected claims and operating costs for the upcoming injury year. To stabilize premium rates, there are rules in place to govern the amount of increase and to moderate any excessive changes from year to year. Premium rates include a component that is applied to reduce the unfunded liability. The WSIB may also levy a special premium when it is considered appropriate. In advance of the year, Schedule 1 employers are notified of their final premium rates to be paid for the upcoming injury year. Premium revenue is determined by applying premium rates to Schedule 1 employers' insurable payrolls.

Schedule 2 employers are individually liable to pay all insurance benefits and administration costs with respect to their workers' claims. Reimbursements for claims paid and the cost of administration are included in their premium assessment.

The Schedule 1 premiums are net of bad debts. An Allowance for Doubtful Accounts is recorded in our Consolidated Balance Sheet and is maintained at a level that is adequate to absorb losses on premiums for Schedule 1 employers. The allowance comprises specific

allowances and an additional allowance that covers any impairment in the employer premiums that, based on experience, will not be collectible.

BENEFIT LIABILITIES

Benefit liabilities are determined annually through an actuarial valuation, which estimates the present value of future payments for loss of earnings, labour market re-entry, short- and long-term disability, health care, survivor benefits, retirement income benefits, and claim administration costs. They represent a provision for future benefit payments and the future cost of administering claims incurred on or before December 31. The provision has been determined by estimating future benefit payments in accordance with the adjudication practices in effect at December 31 and relevant legislation.

The benefit liabilities do not include any provision for payment of Schedule 2 claims. The costs of these claims are not considered WSIB liabilities because they are a liability of Schedule 2 employers.

Benefit liabilities do not include any provision for future claims relating to occupational diseases, or for injuries and illnesses that are not currently considered to be work-related.

PENSION AND OTHER BENEFIT PLANS

The WSIB offers a number of benefit plans, which provide pension and other post-retirement benefits to eligible staff. These plans include a statutory pension plan, a supplemental pension plan, and other post-retirement benefits plans, including health, dental, and life insurance.

The WSIB funds its statutory pension and post-retirement benefit plans annually based on actuarially determined amounts required to satisfy employee benefit entitlements under current pension regulation and benefit plan policies. These pension plans provide benefits based on years of service and average earnings at retirement.

Actuarial valuations are performed annually to determine the present value of the accrued pension benefits, based on projections of the employees' compensation levels to the time of retirement. Investments held by the pension funds primarily comprise equity securities, bonds, and debentures. Pension fund assets are valued at fair value.

Pension benefit expense, which is included in staff benefit plans within administrative and other expenses (note 11), consists of the cost of employee pension benefits for the current year's service, interest cost on the liability, expected investment return on the market-related value of plan assets, and the amortization of unrecognized past service costs, unrecognized net actuarial gains or losses, and unrecognized transition asset or obligation. Amortization is charged over the expected average remaining service period of active employees covered by the plan.

The cumulative excess of pension fund contributions over the amount recorded as expenses is reported as accrued benefit liability in the consolidated balance sheet. The cumulative excess of pension benefit expense over pension fund contributions is reported in the employee benefit plan liabilities. Liabilities for other post-retirement benefits are also reported in the employee benefit plans' liabilities.

The full amount of the gain or loss from the change in obligation for workplace accident benefits is recognized in the year the gain or loss occurs and is included in other benefit plans (note 8).

Other defined-contribution plan costs are recognized in income for services rendered by employees during the year.

SIGNIFICANT ACCOUNTING CHANGES

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On January 1, 2008, WSIB adopted new *CICA Handbook* sections: Sec. 1535: Capital Disclosure, Sec. 3862: Financial Instruments – Disclosures, Sec. 3863: Financial Instruments – Presentation.

Sec. 1535 requires the disclosure of the entity's objectives, policies, and processes for managing capital.

Sec. 3862 and 3863 have replaced Sec. 3861: Financial Instruments – Disclosure and Presentation. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

FUTURE CHANGES IN ACCOUNTING POLICIES – INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that a publicly accountable enterprise will be required to adopt IFRS. IFRS will replace current Canadian GAAP for those enterprises. IFRS will be effective for annual periods commencing January 1, 2011, including the preparation and reporting of one year of comparative figures. The WSIB is currently in the process of determining whether it is a publicly accountable enterprise as defined by the AcSB and is evaluating the impacts and implications of conversion to IFRS.

3. Investments and Investment Revenue

Investments by category are as follows:

($ millions)	2008					2007
	Amortized cost	Carrying value adjustments	Unrealized: gains	losses	Carrying value	Carrying value
Held-for-trading:						
Foreign-exchange contracts						
Domestic	$ -	$ (22)	$ -	$ -	$ (22)	$ (37)
Foreign – U.S.	-	(104)	-	-	(104)	46
– Global	-	112	-	-	112	(19)
Total held-for-trading	-	(14)	-	-	(14)	(10)
Available-for-sale:						
Fixed-income securities						
Bonds	3,814	-	196	(71)	3,939	4,116
Equities						
Domestic	1,472	23	183	(72)	1,606	2,261
Foreign – U.S.	2,604	5	113	(135)	2,587	3,569
– Global	2,188	19	188	(55)	2,340	3,194
Real estate	135	32	105	(4)	268	396
	6,399	79	589	(266)	6,801	9,420
Total available-for-sale	10,213	79	785	(337)	10,740	13,536
Real estate entities subject to significant influence	381	-	-	-	381	228
Total investments	**$10,594**	**$65**	**$785**	**$(337)**	**$11,107**	**$13,754**

Included in the above is accrued income of $53 million (2007: $113 million).

FOREIGN CURRENCY

The gross notional amounts in foreign-exchange contracts are the contractual amounts on which payments are made. The net notional value is the sum of all the long (or the short) positions in the portfolio and it reflects the aggregate positions of the portfolio. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts.

At December 31, 2008, the gross notional value of outstanding foreign-currency contracts was $1,336 million (2007: $1,946 million). Outstanding contracts in a favourable position had a fair value of $62 million (2007: $13 million) and those in an unfavourable position had a fair value of negative $76 million (2007: negative $23 million). Unrealized losses on foreign-exchange contracts of $14 million (2007: $10 million loss) were included in investment income.

The net notional value of foreign-exchange contracts as of December 31, 2008, was $222 million (2007: $241 million).

The fair value of the investment portfolio includes $4,927 million (2007: $6,763 million) of securities denominated in foreign currency. The major holdings are as follows: 53 per cent (2007: 53 per cent) in U.S. dollars, 14 per cent (2007: 18 per cent) in euros, 11 per cent (2007: 11 per cent) in British pound sterling, 12 per cent (2007: seven per cent) in Japanese yen, and 10 per cent (2007: 11 per cent) in other currencies.

Bonds, by term to maturity as of December 31:

($ millions)	2008					2007
	Term to contractual maturity (years)					
	Up to 1	1 - 5	5 - 10	Over 10	Total	Total
Government Bonds						
Fair value	$23	$1,301	$478	$920	$2,722	$2,882
Yield %*	1.0	2.0	3.3	4.1	2.9	4.2
Corporate Bonds						
Fair value	$31	$559	$342	$285	$1,217	$1,234
Yield %*	3.9	4.7	5.9	6.9	5.5	5.2
Total						
Fair value	**$54**	**$1,860**	**$820**	**$1,205**	**$3,939**	**$4,116**
Yield%*	**2.7**	**2.8**	**4.4**	**4.8**	**3.7**	**4.5**

*The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows for each bond equal to its fair value as of December 31.

Revenue by category of investment is as follows:

($ millions)	2008	2007
Held-for-trading		
Foreign-exchange contracts	$(18)	$(15)
Available-for-sale		
Bonds	225	205
Amortization	(14)	(16)
Equities	(1,413)	607
Real estate equities	24	47
	(1,178)	843
Real estate entities subject to significant influence	14	12
Short-term securities	5	6
	(1,177)	846
Investment expenses	(34)	(34)
Net investment income	**$(1,211)**	**$812**

Revenue from bonds includes $21 million (2007: $2 million) of net realized gains. Revenue from equities includes $1,633 million of realized losses (2007: $383 million realized gains) and real estate includes $13 million (2007: $42 million) of net realized gains. Revenue from foreign-exchange contracts includes $15 million (2007: $3 million) of net realized losses.

During the year, $1,007 million (2007: $408 million) was assessed as an other-than-temporary impairment and recognized as a reduction in investment income. These assets comprised equity securities that had significant prolonged market losses that the WSIB determined were other-than-temporary. The remaining unrealized losses on available-for-sale securities of $337 million (2007: $236 million) are not considered to be other-than-temporarily impaired as at December 31, 2008, and remain in accumulated other comprehensive income. These losses were not considered other-than-temporary as their amounts were either insignificant and/or short-term in nature and are securities in which the WSIB has the intent and ability to hold to recover the temporary loss.

SECURITIES LENDING

The WSIB earns additional income by participating in a securities-lending program. Securities it owns are loaned to others for a fee and are secured by high-quality collateral. The fair value of the collateral always exceeds the fair value of the securities loaned, and the collateral is marked to market daily. The program is managed by a Canadian financial institution.

At December 31, 2008, the fair value of securities on loan was $980 million (2007: $1,453 million). The collateral held with respect to these securities was $1,052 million (2007: $1,526 million).

4. Financial Instruments Risk Management

The WSIB is responsible for investing the funds of the Insurance Fund and Loss of Retirement Income Fund (LRI Fund). These responsibilities are carried out through strategic and other investment policies that govern how the funds are to be invested and how the investment performance and compliance of the funds is to be monitored and evaluated. A statement of investment policies and procedures (SIPP) is reviewed and presented to the Board of Directors for approval. Review is undertaken of the WSIB's benefit liabilities and capital market assumptions to ascertain that the policy asset mix and other provisions of the SIPP remain relevant to the prevailing and forecasted nature of the benefit liabilities. The policy asset mix mitigates, but does not eliminate short-term risk through diversification across asset strategies and strikes a reasonable compromise between achieving the long-term return objective and enduring short-term variability.

Although neither the Insurance Fund nor LRI Fund are registered pension funds, the *The Workplace Safety and Insurance Act* requires the funds available for investment be invested in those investments that are authorized under the *Ontario Pension Benefits Act*. *The Workplace Safety and Insurance Act* further requires that the funds be invested in the same manner as is authorized for those pension funds – namely, with the care, diligence, and skill that a person of ordinary prudence would exercise in dealing with the property of another person and using all relevant knowledge and skill that the person may possess.

Risk is inherent in the generating of investment returns in excess of the risk-free rate (i.e., three-month Government of Canada treasury bills) and in each element of the investment decision-making process; hence, risk measurement and risk management are integral to the asset management program.

The primary risk is that investment returns, taken together with a reasonable and sustainable level of contributions, are insufficient to meet the long-term obligations for which the funds are established. This risk would be manifest in the failure to achieve a return of at least the actuarial discount rate of seven per cent over a long-term horizon of rolling 15-year periods.

The significant risks related to financial instruments are credit risk, liquidity risk, and market risk (currency, interest rate, and price). The following sections describe how WSIB manages each of these financial-instrument risks:

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk also includes concentration risk. The WSIB mitigates these portfolio credit risks through comprehensive due diligence and diversification.

i) Asset quality

Asset quality is an assessment of the financial liquidity of the investment and the ability of the issuer to meet current and future contractual obligations. WSIB fixed-income investments consist primarily of high-quality, investment-grade debt instruments. An investment-grade bond is one that is rated BBB and above.

The following table highlights the bond ratings for fixed income securities as at December 31, 2008.

WSIB FIXED-INCOME HOLDINGS

($ millions)

Bond rating	Market value	%
AAA	$2,022	51.3
AA	944	24.0
A	768	19.5
BBB	205	5.2
Total	**$3,939**	**100.0**

All asset-backed securities are rated investment-grade.

The WSIB manages counterparty risk through a due diligence process by selecting multiple highly rated counterparties and by setting counterparty exposure limits. In addition, the WSIB requires its active currency managers to use a continuous linked settlement service to mitigate settlement risk and an international foreign-exchange master agreement to mitigate risk of default at any time. The WSIB monitors its exposure on an ongoing basis.

The WSIB manages counterparty risk relating to our securities-lending program by establishing a preapproved qualified borrower list and through exposure limits. In addition, the WSIB mitigates counterparty risk by requiring daily marking-to-market to maintain full collateralization with additional margin for safety. Loans are secured by high-quality collateral, comprised primarily of government bonds (99 per cent) and major bank short-term notes (one per cent).

The WSIB pays insurance benefits for Schedule 2 workers and is then reimbursed by their employers for the related costs. The WSIB holds collateral in the form of letters of credit in the amount of $286 million as of December 31, 2008, to mitigate any risk related to self-insurers, outstanding reimbursements. These letters of credit are issued by highly rated Canadian financial institutions and can be drawn upon on demand.

ii) Concentration risk

Concentration risk arises from the exposure of investments in one particular issuer, a group of issuers, a geographical region, or a sector. These groups share similar characteristics, such as type of industry, regulatory compliance, and economic and political conditions, which may impact the issuers' ability to meet contractual commitments. The WSIB manages these risks through limits on exposure to regions and sectors and limits on underlying securities. As such, not more than five per cent of the market value of the Insurance Fund is invested in the securities of a single issuer. The WSIB's fixed-income investments are derived from indexed portfolios, and none of the index constituents is more than three per cent of the index.

The following table highlights the fair value of fixed-income securities by sector as at December 31, 2008:

($ millions)

Fixed-income sector	Market value	%
Asset-backed securities	$80	2.0
Financial services	628	15.9
Communications and publishing	20	0.5
Consumer products and merchandising	27	0.7
Federal government and agency	1,678	42.6
Industrial products	3	0.1
Natural resources	23	0.6
Other corporates	197	5.0
Utilities and telecommunications	227	5.8
Provincials and municipal	1,042	26.4
Real estate	14	0.4
Total	**$3,939**	**100.0**

LIQUIDITY RISK

Liquidity risk, or funding risk, is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk to the WSIB is the risk that it will not be able to fund all cash outflow commitments as they fall due. The WSIB mitigates this risk by investing 95 per cent of its insurance assets in readily marketable, publicly traded equity and fixed-income securities. The remaining insurance assets are invested in high-quality real estate investments in commercial properties in major markets that provide steady cash flows.

The following outlines the carrying values of financial assets by contractual maturity or expected cash flow:

($ millions)	1 Yr	2-5 Yrs.	6-10 Yrs.	>10 Yrs.	No fixed maturity	Total
Assets:						
Cash and cash equivalents	$128	$-	$-	$-	$-	$128
Receivables	877	-	-	-	-	877
Foreign-exchange contracts	2	-	-	-	-	2
Bonds	53	1,846	813	1,194	-	3,906
Securities	-	-	-	-	6,514	6,514
Accrued investment income	52	-	-	-	-	52
Total	**$1,112**	**$1,846**	**$813**	**$1,194**	**$6,514**	**$11,479**

MARKET RISK

There are three types of market risk: Currency risk, interest rate risk, and price risk. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign-exchange rates. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices.

i) Foreign currency risk

Foreign currency risk is the risk of loss due to adverse movements in foreign-currency rates as compared with the Canadian dollar. The WSIB uses foreign-exchange contracts as an additional source of return, for economic hedging strategies to manage investment risk, to improve liquidity, or to manage exposure to asset classes or strategies. Foreign-exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract inception. The fair value of these financial instruments would change in response to changes in the underlying variables affecting the contracts, such as changes in the foreign-exchange rates of the currencies involved in the contracts.

Below is a sensitivity analysis of the effect of a fluctuation in the Canadian dollar of +/- one per cent against the four major currencies that represent 90 per cent of WSIB's equities portfolio foreign-currency exposure. (Actual market fluctuations could differ significantly from the sensitivity analysis presented):

($ millions)

Currency	Total market value exposure	+/- 1%
U.S. dollar	$2,587	$26
Euro	688	7
Japanese yen	594	6
British pound sterling	548	5
Total	**$4,417**	**$44**

ii) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. The WSIB reviews interest rate risk through periodic asset liability analyses, which assess the impact of different interest rate scenarios on assets and liabilities of the Insurance Fund over a period of time. Interest rate risk is mitigated primarily through asset allocation, which aims to cover interest rate risk over the long term.

The WSIB uses Option-Adjusted Modified Duration to measure the sensitivity of the price of a fixed-income instrument to a change in interest rates. A parallel shift in the yield curve of +/- one per cent would result in an impact on the fair value of the bond portfolio of approximately $247 million, with all other variables held constant. In practice, actual results may differ materially from this sensitivity analysis. This information is based on the assumption that the securities in the WSIB's portfolio are not impaired; interest rates and equities prices move independently; and, credit and liquidity risks have not been considered. Available-for-sale securities in an unrealized loss position, as reflected in other comprehensive income, may at some point in the future be realized either through a sale or an other-than-temporary impairment.

iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The WSIB mitigates price risk by diversification of its investment portfolios. Also, the SIPP outlines the policy mix requirements to manage the price risk. As well, the funds are actively managed. A balanced allocation of risk across a broad set of return sources is appropriate to meet the return objectives of the funds. The assets of the funds are diversified by combining different sources of return across and within asset classes and investment strategies.

The estimated effect on net assets due to a reasonable change in market indices, holding all other factors constant, would be as follows. (Actual market fluctuations could differ significantly from the sensitivity analysis presented):

($ millions)

Market indices	Fair value	Change in price	Effect on net assets
S&P/TSX	$1,620	+/- 10%	$162
S&P 500/NYSE	2,347	+/- 10%	235
MSCI world	2,566	+/- 10%	256
Total	**$6,533**		**$653**

5. Loss of Retirement Income Fund

The carrying value of the Loss of Retirement Income (LRI) Fund investments as of December 31 is as follows:

($ millions)	2008	2007
Cash and cash equivalents	$29	$35
Bonds	169	176
Equities	155	248
Investment in pooled fund	478	459
Investment fund	**831**	**918**
Annuities	**59**	**56**
	$890	**$974**

The underlying securities in the pooled fund include fixed-income securities valued at $178 million (2007: $131 million), equities valued at $282 million (2007: $317 million), and money market instruments valued at $18 million (2007: $11 million).

The WSIB has purchased annuities from various annuity providers to administer the settlement of LRI benefits to eligible claimants. The related financial asset and corresponding liability are carried at actuarially determined fair values. The WSIB remains liable for the annuities in the event of default by the annuity providers. This risk is mitigated by acquiring annuities from highly rated Canadian financial institutions. At December 31, 2008, none of the annuity providers was in default and no provision for credit risk was required.

The change in LRI Fund investment is as follows:

($ millions)	2008	2007
Funds set aside under the *Act*[1]	82[2]	76[2]
Investment income (loss)	(129)	4
Benefit costs paid	(40)	(34)
Increase in net assets	(87)	46
Net assets, beginning of year	918	872
Net assets, end of year	**$831**	**$918**

[1] *Workplace Safety and Insurance Act*, 1997.

[2] Includes $7 million (2007: $6 million) of injured worker optional contributions.

For injuries and illnesses that occurred prior to January 1, 1998, the WSIB sets aside funds equal to 10 per cent of every payment made to injured workers.

Effective January 1, 1998, for claims incurred after December 31, 1997, for workers who have received Loss of Earnings benefits for 12 continuous months, the WSIB sets aside five per cent of their Loss of Earnings benefits for their retirement fund. Injured workers may choose to contribute a further five per cent from their Loss of Earnings benefits. These funds are segregated from the WSIB's investment portfolio and are invested to provide retirement income benefits for injured workers.

6. Property, Equipment, and Other Assets

($ millions)	2008		2007
	Cost	Net Carrying Value	Net Carrying Value
Land, under a capital lease	$29	$29	$29
Buildings and leasehold improvements	199	85	92
Office equipment	113	2	2
Computer equipment	132	10	11
Work-in-progress	77	77	44
	550	203	178
Other assets	2	2	1
	$552	**$205**	**$179**

Amortization expense in 2008 was $13 million (2007: $12 million).

The WSIB, through its wholly owned subsidiary, 799549 Ontario Inc., is a 75 per cent participant in a co-ownership agreement for its head office land and building at 200 Front Street West, Toronto.

The land of $29 million represents the WSIB's 75 per cent share of the co-ownership's interest in land on which the WSIB's head office building was constructed.

The building and leasehold improvements of $85 million (2007: $92 million) represent the WSIB's 75 per cent share of the co-ownership.

7. Long-Term Debt

($ millions)	2008	2007
Mortgage payable	$99	$68
Obligation under capital leases	28	30
	127	98
Less: current portion	36	2
	$91	**$96**

MORTGAGES PAYABLE

To fund part of the development and construction of the building at 200 Front Street West, Toronto (note 6), the WSIB entered into a long-term mortgage loan agreement in 1993. The mortgage loan is secured by the building, and matures in the year 2015. The interest rate is fixed at 10.25 per cent per annum, compounded semi-annually. The balance of this mortgage on December 31, 2008, was $67 million (2007: $68 million).

During 2008 the WSIB acquired three new real estate subsidiaries through its investment fund, two of which have mortgage loan balances. Mortgages payable increased by $31 million due to the resulting acquisitions. The interest rates on these mortgages are 7.44 per cent on a loan balance of $24 million and 4.13 per cent on a loan balance of $9 million. Both loans mature in 2009.

The fair value of the mortgages payable as of December 31, 2008, was $105 million (2007: $70 million), with a book value of $99 million (2007: $68 million). Mortgage interest expense of $7 million was included in occupancy cost (note 11) and $1 million was included in investment income (2007: $7 million in occupancy cost).

Future mortgage payments are as follows:

2009	$41
2010	8
2011	8
2012	8
2013	8
	73
Thereafter	68
	141
Less interest portion	42
	$99

OBLIGATION UNDER CAPITAL LEASES

The obligation under capital leases consists of the following:

($ millions)	2008	2007
Simcoe Place land lease	$23	$23
Computer equipment leases	5	7
	$28	**$30**

The Simcoe Place land lease represents the balance of the lease obligation for the land at 200 Front Street West, Toronto (note 6), on which the WSIB's office building is located. The WSIB, through its wholly owned subsidiary 799549 Ontario Inc. makes annual lease payments of $4 million under this capital lease.

During 2006, the WSIB negotiated an amendment to this lease to accelerate the lease expiry from 2087 to 2027, and to provide the WSIB with an option to purchase a 75 per cent interest in the land at the expiry date of May 31, 2027, for $1.5 million. This option price is considered by management to be advantageous and is expected that the option will be exercised.

There are five capital leases for computer equipment with initial terms between three and four years, all expiring on December 31, 2010.

The fair value of the lease obligations at December 31, 2008, was $43 million (2007: $44 million). Interest on the lease obligation for the year was $4 million (2007: $4 million). Interest on the Simcoe Place land lease obligation for the year of $4 million (2007: $4 million) was included in occupancy cost.

Future minimum lease payments and the balance of the lease obligation on December 31, 2008, are as follows:

2009	$7
2010	7
2011	4
2012	4
2013	4
	26
Thereafter	58
	84
Less interest portion	56
	$28

8. Employee Benefit Plans

The WSIB has several benefit plans for eligible current and retired employees. The cost of employee benefit plans is recognized in the reporting period in which employees have provided service.

PENSIONS AND OTHER BENEFIT PLANS

The WSIB has two pension plans for its employees and employees of Safe Workplace Associations, the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

The WSIB Employees' Pension Plan is a defined-benefit pension plan that provides for partially indexed pensions based on years of service and best five consecutive years' average earnings in the last 10 years. The WSIB Employee's Supplementary Pension Plan ensures that employees of the WSIB and Safe Workplace Associations whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the *Federal Income Tax Act* will receive pension benefits based on their total earnings.

The investment activities and the administrative and accounting functions of the pension plans are administered by the WSIB. The accrued pension obligations of the plans reflect management's estimates of salary escalation, investment rate of return, mortality of members, terminations, and ages at which members will retire.

Other benefits include medical, dental, and life insurance, accrued vacation, short-term salary protection to cover periods of illness and other absences, as well as the costs of insurance benefits provided to employees who sustain injuries in the course of employment. The measurement date for financial reporting purposes of the plan assets and the benefit obligation is as of December 31, 2008. The most recent and next actuarial valuations for funding purposes are as of December 31, 2008, and 2009, respectively.

Information about the WSIB's defined-benefit pension plans and other benefit plans in aggregate, is as follows:

($ millions)	Employees' Pension Plan		Employees' Supplementary Pension Plan		Other Benefit Plans		Total Plans	
	2008	2007	2008	2007	2008	2007	2008	2007
Accrued benefit obligation:								
Beginning of year	**$1,663.0**	**$1,781.5**	**$14.5**	**$14.8**	**$486.5**	**$525.6**	**$2,164.0**	**$2,321.9**
Current service cost	46.2	59.0	0.3	0.4	14.5	16.0	61.0	75.4
Interest cost	98.4	94.5	0.8	0.8	28.2	27.0	127.4	122.3
Benefits paid	(52.0)	(50.1)	(0.5)	(0.5)	(16.5)	(16.1)	(69.0)	(66.7)
Contributions by employee	22.3	19.7	0.2	0.2	-	-	22.5	19.9
Past service benefit cost	5.6	-	-	-	-	-	5.6	-
Actuarial (gain) loss	(294.8)	(241.6)	(2.3)	(1.2)	(103.0)	(66.0)	(400.1)	(308.8)
End of year	**1,488.7**	**1,663.0**	**13.0**	**14.5**	**409.7**	**486.5**	**1,911.4**	**2,164.0**
Plan assets:								
Fair value at beginning of year	**1,702.1**	**1,707.9**	**2.6**	**2.6**	**-**	**-**	**1,704.7**	**1,710.5**
Actual return on plan assets	(264.8)	(9.4)	-	0.1	-	-	(264.8)	(9.3)
Contributions by employer	36.4	34.0	0.3	0.2	16.5	16.1	53.2	50.3
Contributions by employee	22.3	19.7	0.2	0.2	-	-	22.5	19.9
Benefits paid	(52.0)	(50.1)	(0.5)	(0.5)	(16.5)	(16.1)	(69.0)	(66.7)
Fair value at end of year	**1,444.0**	**1,702.1**	**2.6**	**2.6**	**-**	**-**	**1,446.6**	**1,704.7**
Funded status:								
Funded status, plan surplus (deficit)	(44.7)	39.1	(10.4)	(11.9)	(409.7)	(486.5)	(464.8)	(459.3)
Unamortized net actuarial (gain) loss	54.7	(33.3)	(0.6)	1.7	(54.3)	50.1	(0.2)	18.5
Unamortized past service costs	17.6	13.9	-	(0.1)	4.9	5.5	22.5	19.3
Unamortized transitional obligation	(59.0)	(70.7)	-	-	-	-	(59.0)	(70.7)
Accrued benefit liability	**(31.4)**	**(51.0)**	**(11.0)**	**(10.3)**	**(459.1)**	**(430.9)**	**(501.5)**	**(492.2)**
Accrued benefit obligation, end of year	1,488.7	1,663.0	13.0	14.5	409.7	486.5	1,911.4	2,164.0
Fair value of plan assets, end of year	1,444.0	1,702.1	2.6	2.6	-	-	1,446.6	1,704.7
Funded status, plan surplus (deficit)	**(44.7)**	**39.1**	**(10.4)**	**(11.9)**	**(409.7)**	**(486.5)**	**(464.8)**	**(459.3)**
Net benefit plan expense:								
Current service cost	46.2	59.0	0.3	0.4	14.5	16.0	61.0	75.4
Interest cost	98.4	94.5	0.8	0.8	28.2	27.0	127.4	122.3
Expected return on plan assets	(118.1)	(108.6)	-	(0.1)	-	-	(118.1)	(108.7)
Amortization of past service costs	1.9	1.5	-	-	0.6	0.6	2.5	2.1
Amortization of transitional obligation	(11.8)	(11.8)	-	-	-	-	(11.8)	(11.8)
Amortization of net actuarial (gain) loss	-	5.9	-	0.1	1.5	5.5	1.5	11.5
Net benefit plan expense	**$16.6**	**$40.5**	**$1.1**	**$1.2**	**$44.8**	**$49.1**	**$62.5**	**$90.8**

($ millions)	Employees Pension Plan				Employees' Supplementary Pension Plan	
	2008		2007		2008	2007
	$	%	$	%	$	$
Plan assets by major category						
Equity securities	$828.8	57.4	1,127.2	66.2	-	-
Debt securities	544.6	37.7	495.0	29.1	-	-
Real estate	50.6	3.5	48.8	2.9	-	-
Accrued investment income	6.0	0.4	10.7	0.6	-	-
Other	14.0	1.0	20.4	1.2	2.6	2.6
Total	**$1,444.0**	**100.0**	**1,702.1**	**100.0**	**2.6**	**2.6**

The significant actuarial assumptions adopted for the year to value the Employees' Pension Plan, the Employees' Supplementary Pension Plan, and other benefit plans are as follows:

	Employees' Pension Plan		Employees' Supplementary Pension Plan		Other Benefit Plans	
	2008	2007	2008	2007	2008	2007
Discount rate – plan expenses	5.75%	5.15%	5.75%	5.15%	5.75%	5.15%
Discount rate – accrued benefit obligations	7.00%	5.75%	7.00%	5.75%	7.00%	5.75%
Expected long-term rate of return on plan assets	7.0%	7.0%	3.5%	3.5%		
Dental cost escalation	-	-	-	-	4.0%	4.0%
Average remaining service period (years)	13	13	13	13	13	13

HEALTH-CARE COST TREND RATES AT DECEMBER 31

	2008	2007
Medical costs		
General inflation rate		
Initial rate	10.0%*	9.0%*
Ultimate rate	4.0%	4.0%
Year ultimate rate reached	2015	2013
Dental costs		
General inflation rate	4.0%	4.0%

*Grading down by 1% per year.

SENSITIVITY OF ACTUARIAL ASSUMPTIONS

The key economic assumptions used in measuring the pension benefit liability and related expenses are outlined in the table below. The sensitivity analysis provided in the table is hypothetical and changes in each key assumption may not be linear. The sensitivities in each key assumption have been calculated independently of changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Change in one assumption may result in changes in another, which could amplify or reduce certain sensitivities.

		Impact of			Impact of			Impact of	
($ millions)	Discount rate (%)	1% increase ($)	1% decrease ($)	Rate of compensation increase (%)	0.25% increase ($)	0.25% decrease ($)	Expected rate of return on plan assets (%)	1% increase ($)	1% decrease ($)
Employees' Pension Plan									
Benefit liability*	7.00	(196.3)	247.4	3.50	14.3	(13.9)	7.00	N/A	N/A
Benefit expense**	5.75	(13.0)	15.8	3.50	2.7	(2.6)	7.00	(16.9)	16.9
Employees' Supplementary Pension Plan									
Benefit liability	7.00	(1.5)	1.8	3.50	0.3	(0.3)	3.50	N/A	N/A
Benefit expense	5.75	(0.1)	0.1	3.50	0.1	(0.1)	3.50	-	-
Unfunded Pensions									
Benefit liability	7.00	(0.2)	0.3	3.50	-	-	-	N/A	N/A
Benefit expense	5.75	-	-	3.50	-	-	-	-	-
Total Change									
Benefit liability	7.00	(198.0)	249.5	3.50	14.6	(14.2)	7.00	N/A	N/A
Benefit expense	5.75	(13.1)	15.9	3.50	2.8	(2.7)	7.00	(16.9)	16.9

*Accrued benefit obligation as at December 31, 2008 **2008 pension expense

9. Benefit Liabilities and Benefit Costs

Benefit liabilities represent an actuarially determined provision for future benefit payments relating to incurred claims and the expense of administering those future benefit payments that are discounted to the valuation date at the assumed net discount rates shown below. Estimates of future benefit payments apply to both reported and unreported claims resulting from injuries and illnesses, including occupational diseases, that occurred on or before December 31, 2008, and are based on the level and nature of entitlement and adjudication practices in effect at that date.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards of practice established by the Canadian Institute of Actuaries. Benefit liabilities are calculated as the present value of expected future benefits, considered an indicator of fair value since there is no ready market for the trading of benefit liabilities.

The actuarial present value of future benefit payments depends on economic and actuarial assumptions that are based on past experience, modified for current trends. These assumptions may change over time to reflect underlying conditions, and it is possible that such changes could cause a material change in the actuarial present value of future benefit payments. The following key long-term economic assumptions were used in the actuarial valuation of the benefit liabilities:

	2008	2007
Inflation rate	2.5%	3.0%
Discount rate	7.0%	7.0%
Rate of indexation of benefits		
Fully indexed	2.5%	3.0%
Partially indexed*	0.3%	0.5%
Discount rate, net of indexation		
Fully indexed	4.5%	4.0%
Partially indexed	6.7%	6.5%
Wage escalation rate	3.5%	4.0%
Health-care costs escalation rate	6.5%	6.5%

*These rates are not applied to the partially indexed business for 2008 and 2009 as the 2.5% indexation rate specified by Bill 187 applies.

A detailed review of the discount and inflation rate assumptions was conducted by an actuarial consulting firm late in 2007. The review suggested that a nominal discount rate in the range of 7.0% – 7.5% and a rate of inflation in the range of 2.0% – 3.0% would be considered appropriate.

As a result of the review, a long-term rate of inflation of 2.5% per annum was assumed for fully indexed disability payments. For partial benefits, the indexation assumption, subject to the modifications by Bill 187 for 2008 and 2009 payments, is 0.3% per annum after 2009. Mortality estimates are based on WSIB injured worker mortality experience from 1996 to 2000, adjusted for mortality improvements to 2008; and for survivors of deceased workers, on the 1995–1997 Ontario Life Tables, adjusted for mortality improvements to 2008.

Loss of Earnings (LOE) termination rates are based on WSIB injured workers termination experience up to and including 2006, simulated to 2008, and adjusted to reflect future expectations of terminations consistent with WSIB's *Road to Zero* strategy.

Provisions have been made for the effect of future increases in the covered earnings ceiling and the minimum and maximum limits affecting income benefits.

Long-term economic and actuarial assumptions and methods are reviewed annually as of December 31, when an actuarial valuation is performed. Management believes that the valuation methods and assumptions are, in aggregate, appropriate for the valuation.

The change in present value of future benefit payments for reported and unreported work-related injuries and illnesses, and the change in future claims administration costs, are recorded as benefit costs. Any adjustments resulting from the continuous review of entitlements and experience, or from changes in legislation, assumptions, or methods, are also included as benefit costs.

The benefit liabilities include a provision of $859 million (2007: $881 million) for future costs of administering existing claims. Administrative and other expenses have been adjusted by $313 million (2007: $294 million) to reflect the amount that was charged against the provision for benefit liabilities relating to future claim administration costs in the current year.

SENSITIVITY OF ACTUARIAL ASSUMPTIONS

The benefit liabilities are calculated based on actuarial assumptions. Changes in these assumptions can cause significant changes in the benefit liabilities. The sensitivities are affected for 2008 by the reduction in the long-term inflation assumption, with the general effect that the sensitivity amount is a reduction from 2007. The sensitivities are illustrated as follows:

- The actuarial assumption most sensitive to change is the assumed discount rate of 7% per annum. The approximate impact of a 0.5% decrease in the discount rate would increase benefit liabilities by approximately $725 million (2007: $735 million).

- A 0.5% increase in the consumer price index (CPI) would increase benefit liabilities by approximately $415 million (2007: $450 million). For partially indexed claims, the indexation rate for 2008 and 2009 is specified (2.5%) by Bill 187, therefore the 0.5% increase is not applicable to partially indexed claims for these two years.
- The calculation of the benefit liabilities was based on WSIB injured worker mortality experience. A flat reduction of 5% in these mortality rates would increase benefit liabilities by approximately $115 million (2007: $115 million).
- A 10% increase in the number of lost-time injuries in the current year would increase the benefit liabilities by approximately $120 million (2007: $115 million).
- Health-care benefit liabilities are calculated assuming a future rate of escalation of health-care costs of 6.5% per annum. A 0.5% increase in the escalation factors used for future health-care costs would increase benefit liabilities by approximately $120 million (2007: $130 million).
- Calculation of the benefit liabilities for the Loss of Earnings benefit uses WSIB injured workers claim termination experience. A flat reduction of 5% in termination rates would increase benefit liabilities by approximately $240 million (2007: $245 million).

Benefit liabilities and benefit costs paid in 2008 were as follows:

($ millions)	2008								2007
		Labour Market Re-entry							
	Loss of earnings	Income support	External providers	Short- & long-term disability	Health care	Survivor benefits	Claim admin. costs	Total	Total
Benefit liabilities, beginning of year	$5,895	$53	$438	$9,546	$3,117	$1,830	$881	**$21,760**	**$20,300**
Benefit costs	2,009	143	203	859	619	134	291	**4,258**	**4,936**
Benefit costs paid during the year									
Schedule 1	(923)	(144)	(155)	(1,196)	(483)	(163)	(313)	**(3,377)**	**(3,197)**
Schedule 2	(108)	(6)	(4)	(102)	(59)	(22)	-	**(301)**	**(279)**
	(1,031)	(150)	(159)	(1,298)	(542)	(185)	(313)	**(3,678)**	**(3,476)**
Change in benefit liabilities	978	(7)	44	(439)	77	(51)	(22)	**580**	**1,460**
Benefit liabilities, end of year	$6,873	$46	$482	$9,107	$3,194	$1,779	$859	**$22,340**	**$21,760**

10. Reconciliation of the Change in the Unfunded Liability

The unfunded liability is affected by a number of factors, including an interest charge on the unfunded liability, premiums applied to reduce the unfunded liability, experience gains and losses, changes in accounting practices, policy, or legislation, and changes in actuarial assumptions for calculating benefit liabilities.

The interest charge on the unfunded liability recognizes that there are insufficient assets to cover existing liabilities, resulting in a shortfall in investment income and assets to pay future claim payments. Premiums that are collected to reduce the unfunded liability include an amount to cover this shortfall.

In addition, the difference between expected and actual experience on items such as indexation, investment returns, and claims experience also gives rise to changes in the unfunded liability.

The actuarial reconciliation of the change in the unfunded liability is as follows:

($ millions)	2008	2007
Unfunded liability, beginning of year	$8,094	$5,997
Add (deduct):		
Investment income not earned due to shortfall in invested assets	661	422
Premiums allocated to reduction of unfunded liability	(962)	(1,024)
Experience (gains)/losses resulting from:		
Indexation of benefits (less) than expected	-	(140)
Lower than expected investment returns	3,087	1,118
Prior and current years' claims experience	883	647
Changes in assumptions:		
Long-term inflation	(438)	-
Long-term loss of earnings	102	86
Other changes	17	-
Changes in benefit cost assumptions:		
Health-care benefits	(25)	101
External agency rehabilitation payments	43	21
Other changes	(33)	16
Other changes:		
Changes in personal income tax rates	40	100
Impact of legislation enacted in 2007:		
Increase in liabilities resulting from Bill 187	-	720
Increase in liabilities resulting from Bill 221	-	30
Unfunded liability, end of year	**$11,469**	**$8,094**

11. Administrative and Other Expenses

Administrative and other expenses consist of the following:

($ millions)	2008	2007
Salaries and fringe benefits	$314	$299
Equipment and maintenance	37	37
Occupancy	40	40
Communication	17	17
Supplies and services	6	6
Travel and vehicle maintenance	5	4
New systems development and integration	6	8
Other	20	18
	445	429
Amortization expense	13	12
Staff benefit plans	69	96
	527	537
Claim administration costs (note 9)	(313)	(294)
	$214	**$243**

12. Related-Party Transactions

LEGISLATED OBLIGATIONS AND COMMITMENTS

Under the *Workplace Safety and Insurance Act, 1997*, and as directed by the Lieutenant Governor through Orders in Council, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety Act*. The WSIB is also required to fund the Workplace Safety and Insurance Appeals Tribunal (WSIAT), and the Offices of the Worker and Employer Advisors. These reimbursements and funding amounts are determined and approved by the Minister of Labour. The WSIB is also committed to providing funding for the Institute for Work and Health and Safe Workplace Associations, clinics, and training centres.

The total amount of funding provided under these legislated obligations and commitments in 2008 was $226 million (2007: $218 million).

INVESTMENTS

Included in investments are marketable fixed-income securities issued by the Ontario provincial government and related corporations valued at $376 million (2007: $456 million).

OTHER

In addition to legislated obligations and workplace health and safety expenses, the financial statements include amounts resulting from transactions conducted in the normal course of operations with various Ontario government-controlled ministries, agencies, and Crown corporations. Such transactions are conducted on terms and conditions similar to those that apply to transactions with unrelated parties. Account balances resulting from these transactions are not significant.

13. Commitments and Contingencies

CONTRACTUAL OBLIGATIONS

At December 31, 2008, the WSIB was committed under non-cancellable contractual obligations, consisting of software licences and equipment and property leases, requiring future minimum payments of approximately $26 million per year over the next five years, and $27 million in aggregate thereafter.

LEGAL ACTIONS

The WSIB is party to various claims and lawsuits, which are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on WSIB expenses or financial position.

BANK LINE OF CREDIT

The WSIB maintains an unsecured $150 million line of credit with a commercial bank. The credit line was not utilized in 2008 and 2007.

14. Capital Management

The WSIB is required by legislation to maintain its investments at a level sufficient to make the required payments under the insurance plan as they become due. In keeping with this requirement, the WSIB's strategic objectives include the overarching goal of ensuring that the workplace safety and insurance system remains financially sustainable for future generations.

To meet this goal, the WSIB established a funding framework to provide a prudent and fiscally responsible process for setting stable and predictable premium rates for employers while ensuring long-term financial sustainability. The WSIB's investment strategy is integrated with the funding framework and is a key fundamental to ensure the long-term financial sustainability of the workplace safety and insurance system.

The table below shows the WSIB's current funded status:

($ millions)	2008	2007
Total assets	$13,207	$15,972
Total liabilities	$24,676	$24,066
Funding ratio	53.5%	66.4%

The decrease in the funding ratio in 2008 was due to adverse economic conditions and investment returns, and underachievement in the reduction of lost-time injury rates and claims durations.

15. Comparative Figures

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

WORKPLACE SAFETY AND INSURANCE BOARD
TEN-YEAR SUMMARY OF THE STATEMENTS OF OPERATIONS AND UNFUNDED LIABILITY

($ millions)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Premiums for current year	$2,604	$2,499	$2,385	$2,256	$2,124	$2,068	$1,997	$1,866	$1,760	$1,707
Investments	(1,211)	812	1,298	819	470	456	246	765	1,128	1,042
Other income	2	2	3	3	49	-	-	-	-	-
	1,395	**3,313**	**3,686**	**3,078**	**2,643**	**2,524**	**2,243**	**2,631**	**2,888**	**2,749**
Expenses										
Benefit costs paid	3,678	3,476	3,285	3,197	3,101	2,996	2,883	2,755	2,558	2,195
Net increase/(decrease) in benefit liabilities	580	1,460	1,050	840	950	495	692	270	125	135
Loss of Retirement Income Fund	75	70	64	66	60	56	52	50	46	44
	4,333	**5,006**	**4,399**	**4,103**	**4,111**	**3,547**	**3,627**	**3,075**	**2,729**	**2,374**
Administrative and other expenses	214	243	221	203	204	210	240	236	247	387
Legislated obligations	226	218	208	200	188	172	160	162	156	145
	4,773	**5,467**	**4,828**	**4,506**	**4,503**	**3,929**	**4,027**	**3,473**	**3,132**	**2,906**
Excess (deficiency) of revenues over expenses from current operations	(3,378)	(2,154)	(1,142)	(1,428)	(1,860)	(1,405)	(1,784)	(842)	(244)	(157)
Premiums for unfunded liability	962	1,024	1,000	934	1,017	861	902	860	971	1,061
Transfer of Electrical Utilities from Schedule 2	-	-	-	-	-	-	(52)	-	-	-
Excess (deficiency) of revenues over expenses	**(2,416)**	**(1,130)**	**(142)**	**(494)**	**(843)**	**(544)**	**(934)**	**18**	**727**	**904**
Unfunded liability, beginning of year	(8,094)	(5,997)	(6,510)	(6,420)	(7,135)	(6,591)	(5,657)	(5,675)	(6,402)	(7,098)
Effect of change in accounting policy	-	-	-	-	1,088	-	-	-	-	(208)
Other comprehensive income	(959)	(967)	655	404	470	-	-	-	-	-
Excess of expenses over revenues	(2,416)	(1,130)	(142)	(494)	(843)	(544)	(934)	18	727	904
Unfunded liability, end of year	**$(11,469)**	**$(8,094)**	**$(5,997)**	**$(6,510)**	**$(6,420)**	**$(7,135)**	**$(6,591)**	**$(5,657)**	**$(5,675)**	**$(6,402)**

Other Statistics

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Schedule 1										
Average premium rate (per $100 of payroll)	$2.26	$2.26	$2.26	$2.19	$2.19	$2.19	$2.13	$2.13	$2.29	$2.42
Total insured payroll ($ millions)	$150,535	$146,393	$140,912	$135,865	$130,398	$125,638	$120,252	$113,727	$109,237	$101,654
Schedule 1 & 2										
Number of new claims, by registration year	312,315	329,161	336,851	352,996	352,474	354,926	361,179	371,067	379,079	364,069
Employees at December 31										
Full-time equivalent	4,467	4,359	4,241	4,317	4,370	4,238	4,350	4,467	4,421	N/A

OUTCOMES AND MEASURES

In 2008, a corporate outcomes, measures, and targets initiative helped the WSIB to monitor its progress in relation to three key imperatives:

- making Ontario workplaces among the safest in the world;
- providing quality service that meets the needs of workers and employers;
- ensuring the financial security of the workplace safety and insurance system.

These charts measure the WSIB's progress against each of these imperatives.

Measure: Schedule 1 & 2 lost-time injury rate

- Lost-time injuries per 100 workers for all Ontario workplaces covered under The Workplace Safety and Insurance Act

Measure: Perceived overall satisfaction with WSIB experience*

- Employers' perceived satisfaction with WSIB experience
- Injured workers' perceived satisfaction with WSIB experience

*Data not available

Measure: Funding ratio

- Ratio of assets to liabilities, expressed as a percentage

2008 PUBLIC-SECTOR SALARY DISCLOSURE

WSIB employees earning more than $100,000 per annum

		Salary Paid	Taxable Benefits
Abrams, Brenda E.	Vice President, Legal Services and General Counsel	$203,447.66	$10,329.69
Adamo, Valerie	Vice President, Business Technology Services and Chief Information Officer	$211,263.38	$243.42
Ah Young, Geviers	Executive Director, Financial Planning and Support	$142,996.20	$2,552.94
Akinbiyi, Norma	Manager, Return To Work, Benchmarks Research and Analysis	$100,247.67	$121.77
Ammirmoosa, Joseph	Manager, Financial Analysis	$102,177.82	$132.56
Andasmo, Bruce	Senior Project Manager	$105,593.75	$
Angove, Linda	Vice President, Prevention and Corporate Strategy	$148,845.44	$
Antypas, Thomas	Prevention System Planning and Evaluation Coordinator	$108,525.24	$100.16
Arnoldi, James	Medical Consultant	$149,340.31	$191.10
Arnston, Alan	Manager, Business Operations Audit	$106,291.91	$137.62
Ayres, David	System Architect	$101,264.89	$126.36
Azzopardi, Loretta	Assistant Director, Business Services	$100,756.84	$128.12
Baker, Paul G.	Employer Account Advisor	$100,963.03	$99.37
Ban, Donna	Vice President, Health Services	$179,385.13	$2,468.00
Bannon, Alice Pau	Medical Consultant	$122,509.40	$152.88
Barnes, Lynne	Director, Organizational Effectiveness	$155,007.67	$562.32
Beagan, Thomas	Chief Prevention Officer	$246,616.78	$340.16
Belanger, Adam, Mary	Legal Counsel	$121,489.66	$166.88
Bell, Susan	Director, Service Delivery	$140,264.73	$194.36
Bernstein, Eva	Associate General Counsel	$141,243.07	$161.60
Billing, Margaret	Medical Consultant	$150,247.27	$191.10
Blanchard, Patricia D.	Director, Employee Relations	$136,429.02	$151.76
Boland, John	Assistant Director, Industry Sector Small Business	$102,177.09	$132.56
Bonnyt, Paul	Business Planning Analyst	$101,541.14	$87.45
Bradbury, Laura	Fair Practices Commissioner	$151,316.78	$194.10
Bridge, Margaret	Associate Director, Physician	$136,251.89	$280.28
Brown, Dennis	Director, Central Claims Processing	$101,364.61	$131.66
Brundage, Kathleen	Senior Business Advisor	$102,125.13	$
Brown, Elizabeth	Senior Legal Counsel	$135,765.62	$176.14
Burton, Neil	Senior Business Advisor	$138,702.92	$179.90
Campbell, Michael	Executive Director, Investment Strategy and Alternatives	$294,892.65	$384.87
Cassidy, John	Director, Occupational Disease Quality Services	$114,758.77	$149.12
Carlson, Brian	Senior Investigator	$100,967.04	$117.72
Caron, Paul	Director, Prevention Services	$114,479.15	$147.44
Chan, Kathy	Team Lead, Business Technology Services	$122,442.85	$227.34
Chapman, Louise	Director, Revenue Development	$119,475.76	$153.42
Chin, Charmaine	Integrated Case and Account Management Project Director	$125,309.60	$163.56
Chiu, Margaret	Manager, Business Technology Services	$120,623.72	$147.16
Clark, Dana	Director, Service Delivery	$119,433.38	$152.16
Clark, Jeff	Director, Strategic Procurement Facilities Management	$119,409.51	$154.96
Clarke, Jacqueline	Employer Account Advisor	$103,603.99	$99.37
Connolly, Dan	Integrated Case and Account Management Program Director	$111,404.69	$131.96
Coulson, Greg	Human Resources Business Partner	$111,415.31	$167.28
Crampton, Francis	Senior Investigator	$100,220.55	$117.72
Croucher, Brenda	Executive Director, Association of Workers' Compensation Boards	$131,994.24	$145.32
De Lint, Hal	Director, Ontario Occupational Health Services Network	$122,652.44	$159.06
Dean, Robert	Assistant Director, Service Delivery	$104,308.31	$130.76
Denham, John	Vice President, Investments	$274,458.42	$376.80
Dias, Irene	Director, Occupational Disease and Survivor Benefit	$111,445.12	$144.54
Difranco, Joe	Team Lead, Business Technology Services	$127,308.38	$124.54
Dion, Patrick	Medical Consultant	$156,915.21	$
Discoito, Evie	Director, Learning and Development	$102,465.14	$466.00
Dobbler, Andrew	Director, Service Delivery	$124,448.06	$162.08
Dorcas, Dow	Medical Consultant	$150,240.81	$
Dos Ramos, Carol	Manager, Prevention Education Support	$102,318.62	$132.86
Drejchel, Mark	Director, Prevention System Collaboration	$108,984.62	$142.18

		Salary Paid	Taxable Benefits
Dudley, John	Associate Director, Physician	$166,876.14	$207.64
Dunsbury, Potter, June	Director, Professional Practice, Chief Nursing Officer	$124,719.00	$161.66
Eason, Douglas	Assistant Director, Safe Workplace Initiatives	$122,711.09	$159.18
Ebsim, Devin	Director, and Actuary	$170,846.01	$207.46
Evans, Gina	Employer Account Advisor	$102,793.96	$87.49
Fatmy, Nadia	Director, Service Delivery	$137,032.86	$177.58
Fahgen, Amanda	Director, Service Delivery	$109,642.40	$126.82
Faubert, Stephane	Senior Business Advisor	$166,787.89	$
Fenby, Colin	Manager, Marketing	$103,655.39	$133.18
Field, Paul	Director, Service Delivery	$123,647.06	$160.62
Flavin, Al	Senior Investigator	$102,224.71	$117.72
Fucarelli, Susan	Director, Disability Prevention	$112,296.25	$143.96
Gauthier, Reimar	Manager, Disease, Research and Policy	$160,933.78	$481.04
Galway, Kathleen	Director, Business Operation Audit	$128,029.15	$165.96
Gan, David G.	Team Lead, Business Technology Services	$109,924.37	$123.34
Geary, Judy	Vice President, Program Development	$210,702.37	$2,731.26
Gerrior, John	Assistant Director, Service Delivery	$101,062.99	$131.02
Germosley, Martin	Medical Consultant	$153,247.27	$191.10
Gilkinson, Paul	Vice President, Specialized Claims Services	$151,917.30	$170.56
Gray, Jackie	Organizational Effectiveness Consultant	$107,939.26	$131.56
Gittas, Leonard	Medical Consultant	$153,247.27	$191.10
Green, Susan	Senior Specialist, Infrastructure Services	$101,579.26	$122.92
Guimot De Simone, Helena	Manager, Benefits Policy	$106,476.61	$138.28
Hann, Karen	Director, Health Services Management	$119,483.61	$153.68
Hargan, Robert	Community Program Coordinator	$101,777.21	$102.26
Hickingbon, Robert	Associate Director, Physician	$106,799.44	$
Hirrick, Thu	Medical Consultant	$155,402.69	$194.60
Hennington, Michael	Director, Service Delivery	$123,647.06	$160.62
Hewitt, Suzanne	Legal Policy Analyst	$109,062.24	$197.66
Hickman, Robert	Medical Consultant	$156,247.27	$191.10
Higgins, Jodi	Director, Service Delivery	$134,714.72	$197.78
Hill, Brian	Senior Investigator	$100,539.41	$467.72
Himsino, Robert	Vice President and Chief Actuary	$287,229.96	$11,795.82
Ho Kim, Thu Lan	Medical Consultant	$153,554.87	$179.14
Hoekzema, Irene M.	Assistant Director, Occupational Disease Services	$103,969.70	$129.82
Houston, Roberta	Lawyer	$110,659.15	$153.86
Hrybiw, Paraskevi	Manager, Performance Standards	$101,709.29	$132.76
Hutchison, Jill	President and Chief Executive Officer	$441,755.39	$21,339.03
Iannuzzi, Eliana	Director, Serious Injury Program and Specialty Programs	$116,079.06	$142.16
Irvine, Thomas	Fair Practices Specialist	$102,408.14	$132.72
Ivnac, Tom J.	Legal Policy Analyst	$105,417.39	$107.86
Jakeway, John	Director, Pre-1990 Claims	$117,062.31	$151.92
Jackson, Steven	Vice President, Prevention	$210,177.92	$4,236.62
Jacobson, Susan	Director, Organizational Health Safety and Wellness	$107,967.78	$158.56
Jeanes, Wayne	Assistant Director, Treasury Operation	$112,419.17	$496.92
Jestadt, Jim	Senior Investigator	$100,820.88	$117.72
Johnson, Patricia	Director, Program and System Development	$113,390.63	$147.52
Johnson, Stephen	Director, Service Delivery	$105,777.77	$384.67
Johnston, Christine	Director, Procurement Services, Supplier Relationship and Facilities Management	$101,198.63	$131.66
Johnston, Michael Bruce	Executive Director, Prosecution and Investigation	$148,177.80	$181.42
Jordan, Vince	Director, Technology Management Services	$127,458.25	$196.12
Joseph, Jerry	Manager, Treasury	$103,926.39	$139.78
Kamal, Omar	Revenue Program Specialist	$114,642.75	$94.37
Karajon, Andrew D.	Medical Consultant	$153,247.27	$191.10
Kalmar, Kalvina	Director, Specialty Programs, Claxton Office	$107,546.30	$192.30
Kashani, Soudabeh	Medical Consultant	$150,247.27	$191.10
Kelly, Linda	Director, Specialist and Advisory Services	$104,126.43	$611.26
Kennon, Aaron	Assistant Director, Service Delivery	$101,341.86	$417.22

		Salary Paid	Taxable Benefits
Kosmyna, Roman	Board Auditor	$200,172.73	$10,325.92
Krawchuk, Mary	Assistant Director, Service Delivery	$105,866.97	$137.76
Kwong, Paul	Director, Application and Integration Services	$157,054.60	$174.98
Lall, Julian	Assistant Director, Mandatory Coverage	$100,118.44	$116.50
Lamanna, Pat	Director, Service Delivery	$137,669.87	$178.88
Lau, Robert Hing	Director, Financial Services	$126,334.35	$161.72
Le, Khanh	Manager, Information Management	$100,444.69	$130.16
Lee, Tommy	Manager, Business Technology Services	$115,853.38	$133.34
Lemoine, Martha	System Architect	$125,046.23	$149.76
Leshchyshyn, Dana	Executive Director, Service Delivery	$156,595.80	$2,670.70
Leshchyshyn, Orest	Manager, Financial Planning	$103,503.90	$134.38
Levitsky, Marianne	Director, Best Practices	$124,626.22	$161.98
Li, Jim	Senior Specialist, Infrastructure Services	$132,144.61	$109.92
Little, Sheila	Director, Business Services	$116,285.88	$150.64
Lorenz, George	Director, Human Resources Operations	$127,847.09	$166.12
Love, Lynne	Manager, Learning and Development	$106,766.23	$483.32
Lovelock, Ronald	Director, Prevention Services	$124,692.24	$161.98
Lovett, Kerry	Director, Service Delivery	$120,320.54	$156.32
Ma, Betty	Director and Actuary	$164,952.62	$213.86
Ma, Chun	System Architect	$106,253.16	$130.36
Mabrucco, Frank	Senior Project Manager, Strategic Project Management Office	$101,870.26	$132.18
Maehle, Waldemar	Medical Consultant	$146,068.76	$-
Mai, Wenliang Wayne	Team Lead, Business Technology Services	$108,596.10	$109.92
Malara, Nives	Director, Learning and Development	$123,287.68	$160.02
Mancini, Carmen	Project Director, Specialized Claims Services	$123,686.79	$486.98
Martin, John	Manager, Benefits Policy	$106,795.66	$138.82
Martin, Lem	Manager, Information System Audit	$101,083.10	$131.26
Martino, Valerie	Director, Employer Audit Services	$102,158.55	$127.34
Mastrilli, Arcangelo	Medical Consultant	$153,247.27	$191.10
Mastromatteo, Heather	Director, Service Delivery	$113,648.12	$147.52
McAdam, Roberta	Director, Employer Audit Services	$132,692.76	$140.36
McCart, Maureen	Nurse Consultant	$101,643.47	$95.62
McCarthy, Jane	Vice President, Health Services	$185,025.28	$1,226.17
McIntyre, Moira	Vice President, Strategic Communications, Policy and Research	$216,143.37	$242.06
McKenna-Boot, Patricia	Associate Director/Physician	$161,955.09	$206.54
McMurtrie, Robert	Corporate Controller	$147,012.80	$190.94
Meenan, John	Medical Consultant	$148,200.69	$191.10
Mercer, Marjorie	Vice President, Occupational Disease Services	$223,866.89	$-
Mikkelsen, Allan Charles	Human Resources Business Partner	$150,916.63	$161.68
Mitchell, Gerard	Senior Prosecutor	$103,040.79	$131.26
Mitschele, Luise	Director, Service Delivery	$109,979.23	$486.46
Morrison, Richard	Director, Service Delivery	$138,942.99	$180.24
Morsillo, Joe	Executive Director, Revenue Division	$131,599.20	$164.66
Murphy, Carolyn	Director, Intelligence and Innovation	$100,188.79	$126.40
Mutter, Susan Elaine	Manager, Business Technology Services	$113,815.49	$133.32
Ng, Malen	Chief Financial Officer	$335,407.22	$383.02
O'Connor, Deborah	Medical Consultant	$150,247.27	$191.10
Palumbo, Antonietta	Director, Divisional Business Initiatives	$110,832.26	$143.88
Peddle, Laura	Integrated Case and Account Management Project Director	$119,599.85	$151.22
Peter, Alice	Director, Occupational Disease and Policy Research	$131,140.84	$170.32
Pita, Mirsad	Architect, Practice Lead	$118,635.39	$143.91
Potrosny, Steve	Director, Financial Business Support	$130,224.19	$163.01
Potter, Douglas	Senior Business Advisor	$132,513.80	$168.54
Pounder, Trevor	Health Care Project Manager	$145,488.72	$-
Preobrazenski, Roman	Medical Consultant	$123,373.06	$152.88
Prichett, Barry	Medical Consultant	$150,247.27	$191.10

		Salary Paid	Taxable Benefits
Pringle, Robert-Pat	Director, Service Delivery	$106,031.92	$129.42
Rabbito, Maria Teresa	Assistant Director, Service Delivery	$109,314.21	$491.82
Radicevic, Vera	Legal/Policy Analyst	$108,584.11	$107.80
Rae, Calvin	Manager, Occupational Disease and Survivor Benefits	$102,776.83	$127.60
Rajack, Christina	Manager and Practice Leader Services Management	$110,057.91	$137.28
Reano, Cesar	Manager, Loss of Retirement Income	$103,164.13	$134.26
Recchi, Serge	Senior Prosecutor	$107,658.18	$139.96
Renaud, Sherry	Employer Account Advisor	$102,793.96	$449.32
Rivers, William C.	Senior Investigator	$102,734.74	$117.72
Rodenhurst, John D.	Director, Strategic Planning & Alliances	$128,358.73	$166.48
Rowe, Robert	Assistant Director, Business Services	$101,110.47	$131.12
Sarathy, Partha	Project Manager, Strategic Project Management Office	$103,094.20	$128.66
Sawoszczuk, Roman	Project Manager, Strategic Project Management Office	$105,061.25	$128.90
Scaini, Kathleen	Director, Service Delivery	$109,759.58	$125.52
Scarcello, Ralph	Manager, Business Operation Audit	$106,235.13	$137.92
Schofield, Michel	Director, Clinical Resources	$140,310.04	$128.10
Scullion, Catherine	Medical Consultant	$145,151.84	$237.18
Setton, Allan	Chief Architect	$168,812.97	$208.66
Seville, Michelle	System Architect	$108,085.32	$138.66
Sgro, Joseph	Vice President, Specialized Claims Services	$194,091.73	$394.66
Shewell, Kathryn	Director, Business Relationship Services	$136,367.00	$167.96
Shimoda, Karen	Senior Project Manager, Health Services Management	$104,492.56	$135.56
Simon, Larry	Architect	$207,999.74	$-
Siu, Christina	Senior Project Manager, Program and System Development Services	$107,933.23	$140.22
Slinger, John	Chief Operating Officer	$314,653.56	$4,453.44
Smargiassi, Lou	Director, Service Delivery	$115,253.67	$146.44
Smith, Carol	Medical Consultant	$122,606.90	$152.68
Smith, Graham	Manager, Revenue Policy	$105,954.66	$137.32
Snowden, Edward C.	Project Manager, Strategic Project Management Office	$104,427.46	$135.32
Soriano, Frank	Organizational Effectiveness Consultant	$103,431.09	$130.76
Steinnagel, Brenda	Medical Consultant	$153,247.27	$191.10
Storms, Diane	Manager, Service Delivery	$100,128.17	$130.16
Subryan, Keith	Director, Service Delivery	$120,942.06	$506.96
Swan, Elaine	Manager, Service Delivery	$106,143.88	$99.32
Szkolka, John	Organizational Effectiveness Consultant	$105,317.19	$130.24
Tam, Ed	Director, Information System Audit	$120,142.60	$155.96
Taraschuk, Ihor	Medical Consultant	$153,247.27	$191.10
Taylor, Gail	Manager, Benefits and Human Resources Transactions	$100,416.79	$130.36
Teplitski, George	Team Lead, Business Technology Services	$102,257.53	$123.76
Thomas, Robert	Director, Compliance	$104,946.28	$122.06
Thrush, Thomas	Senior Investigator	$100,591.65	$117.72
Timlin, Robert J.	Director, Service Delivery	$130,573.07	$169.46
Tkachenko, Laurina	Director, Privacy Office	$109,779.10	$142.46
Todorovic, Slavica	Executive Director, Policy and Research	$147,801.93	$192.06
Tucker, Cheryl	Director, Community Relations	$119,586.14	$153.76
Walker, John	Medical Consultant	$147,740.31	$191.10
Wallace, Tim	System Architect	$113,374.47	$147.22
Wang, Kennedy	Director, Schedule II Sector	$128,611.18	$160.66
Weatherbee, Wayne	Vice President, Service Delivery	$236,042.47	$2,740.52
Webb, Joanne	Integrated Case and Account Management Program Director	$119,717.50	$149.52
Weber, Diane	Director, President's Office	$163,598.86	$189.76
Wentzell, Scott	Medical Consultant	$130,000.77	$159.52
Whitney, David	Director, Service Delivery	$134,504.76	$174.46
Wiskin, John	Integrated Case and Account Management Program Director	$127,893.42	$166.14
Wong, Philip	Vice President, Human Resources	$147,353.81	$3,164.02
Young, David	Assistant Director, Revenue Audit	$101,209.09	$131.56

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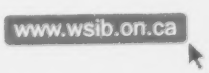

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